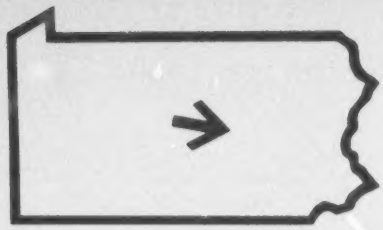
12/30/82 U4110-LB



Recession Lingers On

The economic indicators for Pennsylvania are continuing to oscillate, showing no consistent evidence of a turnaround or even a slowing in the recession. The winding down of the recession in the state, assessed last month in the *Survey*, was primarily based on the job loss in durable goods industries in September, which was considerably less than losses in the previous 12 months. However, the job level in these industries was once again down sharply in October, and September's figure was revised to a substantially lower level than earlier reported.

Since September of last year almost 1.8 percent of jobs, or 13,000 jobs on average, a month have been lost in the durable goods industries after accounting for normal seasonal variation. The October job level in these industries was down another 15,000 jobs after seasonal adjustment, and September's loss, earlier estimated at 2,200 jobs, was revised to a seasonally adjusted 7,800 jobs. Over 20 percent of wage and salaried jobs in this sector have been lost in the past 14 months.

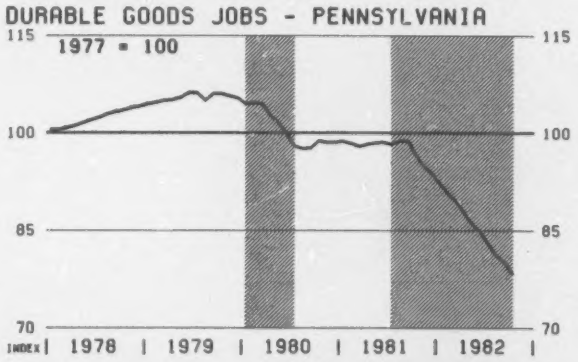
The number of jobs in nondurable goods industries also fell last month, bringing the job level for all manufacturing industries in Pennsylvania down to 1.119 million jobs — its lowest level since July 1940.

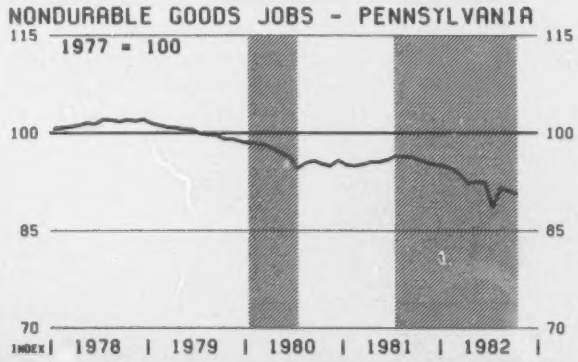
At the same time, however, the average weekly number of hours worked by production workers in manufacturing industries rose to 38.1 hours in October from 37.8 hours in September. An increase in this indicator often signals rising employment in the following months. But, October's level is still extremely low; employers have considerable room to expand production by increasing the hours worked by employees still on the job before calling back laid-off workers.

Industrial production in Pennsylvania, as measured by sales of electricity to industrial users, fell again in October after leveling off in September. The seasonally adjusted index for this measure stood at 83 (1977 = 100) in October, down from 85 in September and 104 in October of last year.

The seasonally adjusted average daily production of steel in Pennsylvania, after increasing in September to 24,200 tons from 23,000 tons in August, fell again in October to 23,200 tons. October's production rate is one-quarter of the monthly average for the industry's boom years of 1973 and 1974. In addition, steel production in Pennsylvania as a percentage of total national steel production fell to 13.0 percent in October from 13.3 percent in September, but it remained well above the low of 12.1 percent reached in August.

On a more positive note, the number of wage and salaried jobs in Pennsylvania's nonmanufacturing industries increased for the second consecutive month. The gains were realized in service and government employment. Almost all of the jobs lost in these sectors since the beginning of the current recession have been regained. Declines or less than seasonal increases in job levels took place in transportation, wholesale trade, and retail trade industries. Other





PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **December 1982**

nonmanufacturing sectors experienced only usual seasonal variation.

Total employment of Pennsylvania residents increased in October, but the increase was less than the usual seasonal rise. The number of jobless Pennsylvanians also increased. The seasonally adjusted unemployment rate rose to 11.4 percent from 11.2 percent in the preceding month.

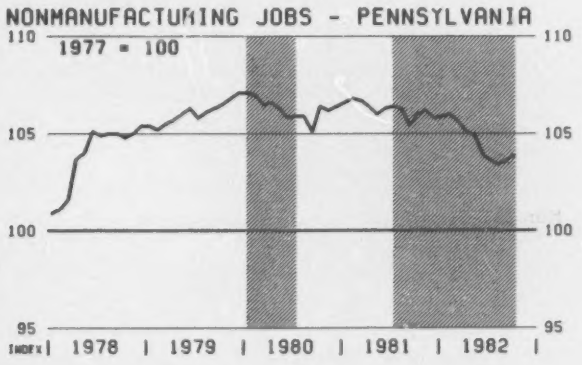
New claims for unemployment insurance compensation rose in October, but the percentage increase was less than the usual seasonal increase. Therefore, the seasonally adjusted index for this measure fell.

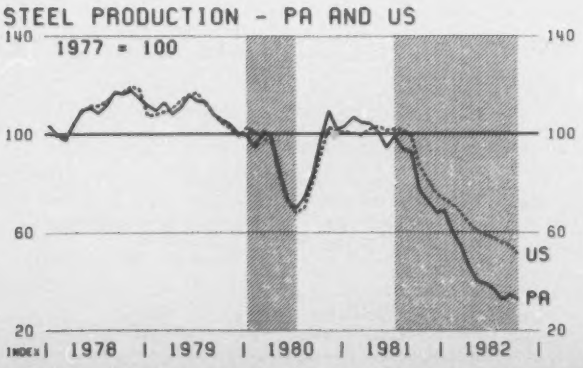
The total value of construction contracts awarded in the state also fell in October. The decline was due to the value of nonbuilding contracts, a highly volatile series, which was extremely high in September. The value of construction contracts for residential and nonresidential buildings both rose slightly in October.

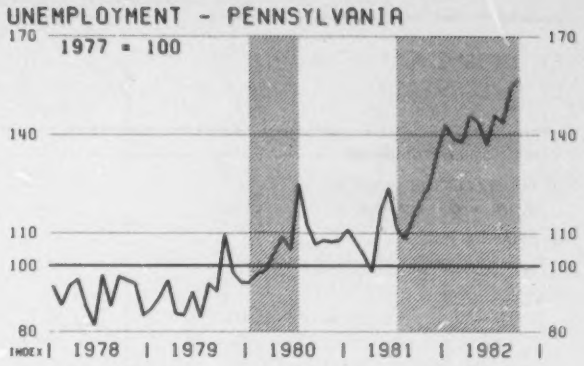
In summary, there were some strengths and some weaknesses in the state's economy in October as there have been throughout this recession. Once again, the main weaknesses were in the durable goods manufacturing industries while the strengths were in the nonmanufacturing sector, particularly in service industries and government.

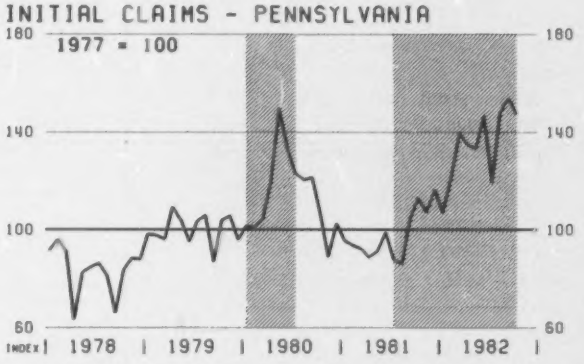
The Nation

Nationwide, the recession lingered on into October. Industrial production, which rises and falls with the business cycle, fell again in October. Moreover, the drops in output have become larger over the past several months. The Federal Reserve Board's index of industrial production fell 0.8 percent in October after declining 0.7 percent in September and 0.2 percent in August.









Furthermore, inventories have not yet been aligned with the slower sales. September's 0.1 percent increase in inventories was the fourth consecutive monthly increase. In light of the continued sluggishness of sales in October, these increases suggest that businesses will further reduce production.

One of the main drags on the nation's business activity has been foreign trade. The merchandise trade balance deteriorated further in the third quarter as exports declined and imports rose.

The strong dollar and continuing recession in the economies of our major trading partners are largely responsible for the merchandise trade deficit. Most of the decline in exports have been in manufactured goods to developing countries, like Mexico, that have been experiencing severe financial problems. On the other side of the account, the strong dollar has made imports a bargain. Recovery will only further whet our appetite for foreign goods, widening the merchandise deficit further before it narrows.

In addition, the surplus in the service account will probably not grow enough to counter this deterioration in merchandise trade like it has in the recent past. Profits from direct investment in foreign companies have declined and the growth rate in interest receipts from U.S. bank loans abroad are slowing.

The good news in the economy in October came from reports of continuing moderation in the rate of inflation, improvements in productivity, and further declines in interest rates. But, whether these developments are enough to bolster consumers' and businessmen's confidence so that they begin spending and, thus, get the recovery going is still unknown.

— Norma Gavin Pappas

ECONOMIC ACTIVITY IN PENNSYLVANIA	1982 Sept	1982 Oct	1981 Oct	Seasonally Adjusted Indexes (1977 = 100.) 1982 Sept	1982 Oct	1981 Oct
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,492*	4,494	4,758	97.9*	97.6	102.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,348*	3,368	3,438	103.7*	103.9	106.0
Manufacturing						
No. of wage and salaried jobs (thcus.)	1,140*	1,119	1,296	84.5*	83.2	96.3
Ave. wkly. hrs. worked by prod. workers	37.8*	38.1	39.1	95.4*	96.4	98.9
Total wkly. person-hours worked (mils.)	29.4*	28.9	35.7	75.8*	74.9	92.7
Total wkly. payroll (mil. dols.)	254.3*	249.2	300.4	112.1*	110.9	133.7
Steel production (thous. tons)	703	685	1,609	34	33	77
Industrial electric power sales (mil. kwh)	3,197	3,107	3,840	85	83	104
Mining						
Anthracite coal (thous. net tons)	476	387	562	104	72	106
Bituminous coal (thous. net tons)	5,924	n.a.	7,652	78	n.a.	99
Construction contracts awarded (mil. dols.)						
Total	432.5	357.2	423.0*	150	105	120*
Residential building	134.4	140.5	125.8*	65	67	60*
Other building	160.6	167.1	126.6*	159	165	121*
Nonbuilding (utilities and public works)	137.6	49.6	170.6	277	63	210
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,892	4,919	5,051	102.0	101.4	104.1
Unemployed						
No. of persons (thous.)	601	620	475	154.4	156.5	120.0
Rate (percentage of labor force)	10.9	11.2	8.6	—	—	—
Rate, seasonally adjusted	11.2	11.4	8.8	—	—	—
Civilian labor force, no. of persons (thous.)	5,493	5,539	5,526	106.0	105.6	105.3

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982 Sept	1982 Oct	1981 Oct	Percentage Change Month Ago	Year Ago
U.S. city average	293.3	294.1	279.9	+0.3	+5.1
Philadelphia	283.0	281.8	274.7	−0.4	+2.6
Pittsburgh	n.a.	300.7	277.7	n.a.	+8.3
Northeast PA	276.0	n.a.	271.5†	n.a.	+1.7

Notes: Data on employment have been revised to first quarter 1981 benchmarks.
* = Figure revised † = Figure for September 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

Recession Impacts on Personal Income Growth

The following article is the first in a series of regular articles on Pennsylvania's personal income. The state's quarterly personal income levels will be presented and analyzed in the December, March, June, and September issues of the Survey.

Personal income in Pennsylvania increased a meager 0.4 percent in the second quarter of this year. This was the smallest increase among the 47 states in which personal income rose from first quarter's level. Personal income declined in Montana, Kentucky, and West Virginia.

Furthermore, the small increase in personal income in Pennsylvania translates into a decrease after adjusting for inflation. Consumer prices, as measured by the implicit price deflator for personal consumption expenditures, increased 0.9 percent. The percentage change in current-dollar personal income exceeded the national increase in consumer prices in all states, except Montana, Kentucky, West Virginia, Pennsylvania, Nebraska, North Dakota, and Kansas.

The increase in personal income in Pennsylvania came mostly from increases in transfer payments and dividends, interest, and rent; wage and salary disbursements declined 1.4 percent. This was the first quarterly decline in the wage and salary component since second quarter 1975.

PENNSYLVANIA BUSINESS SURVEY
December 1982 Vol. 23, No. 12
Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director — Pa. Economic Analysis Program
Norma Gavin Pappas, Editor
Doris Bickle, Staff Assistant
Amy H. Bohm, Subscription Coordinator
Valeria J. Martin, Office Manager
Richard Reid, Graduate Assistant
Nelson J. Lacey, Graduate Assistant

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802
ADDRESS CORRECTION REQUESTED

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

018-01-03332
* CONGRESSIONAL INFOR SRV-SRI
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

U.Ed. 83-374

Transfer payments, which include Social Security payments, unemployment compensation, veterans benefits, and food stamps among other government payments, increased 3.3 percent in the second quarter. This compares to a 3.1 percent increase in the United States as a whole. A substantial portion of the rise stemmed from an increase in unemployment benefits; 44 percent of the national increase in transfer payments came from increases in unemployment insurance payments while almost 56 percent of the increase in Pennsylvania came from this source.

The largest declines in payrolls were in both durable and nondurable manufacturing, construction, and mining. The decline in durable manufacturing payrolls, which was the fourth largest in the nation, reflected weakness in iron and steel production.

Payroll increases last quarter were seen in the financial and farm sectors. The income increases in the financial sector were largely due to the bullish stock market, as financial houses benefited from record volume trading. Farm income in Pennsylvania was up 7.4 percent in the second quarter from first quarter's level but was down a sharp 17.4 percent from the income level in the second quarter of last year.

— Norma Gavin Pappas

Major Sources of Personal Income, Seasonally Adjusted at Annual Rates

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1982 II (mil of dols)	1982 II -1982 I	1982 II -1981 II	1982 II (mil of dols)	1982 II -1982 I	1982 II -1981 II
Labor and proprietors income by place of work	89,146	-1.2	2.0	1,815,108	1.1	4.8
By type						
Wage and salary disbursements	75,111	-1.4	2.0	1,545,167	1.0	5.1
Other labor income	8,536	-1.2	6.1	152,371	2.3	10.1
Proprietors income	5,500	2.3	-3.4	117,570	-1.4	-4.4
Farm	533	10.1	-24.4	17,502	0.8	-19.5
Nonfarm	4,967	1.5	-0.4	100,068	1.5	-1.2
By industry						
Farm	799	7.4	-17.5	29,361	1.2	-10.4
Nonfarm	88,348	-1.3	2.2	1,785,748	1.1	5.1
Private	76,241	-1.5	1.6	1,483,416	1.1	4.7
Ag. serv., for., fish., and other	205	1.0	5.7	7,566	0.3	4.0
Mining	1,587	-5.1	55.4	37,773	-3.9	20.2
Construction	4,098	-2.9	-5.3	97,052	0.3	-0.9
Manufacturing	28,108	-5.1	-5.2	451,732	0.4	0.4
Nondurable goods	9,641	-2.4	3.8	163,677	0.9	3.3
Durable goods	18,467	-6.4	-9.2	288,056	0.1	-1.1
Transportation and public utilities	6,756	-0.3	-0.9	141,419	0.7	4.8
Wholesale trade	5,387	-0.2	3.8	125,187	1.0	5.2
Retail trade	7,978	1.7	4.0	171,232	1.8	4.8
Finance, insurance, and real estate	4,804	2.9	8.7	109,163	2.9	8.0
Services	17,317	1.8	9.9	342,291	2.0	9.6
Government	12,107	0.5	6.4	302,332	1.0	7.2
Federal, civilian	3,075	0.3	6.2	68,259	0.1	4.1
Federal, military	417	4.3	28.7	30,680	0.1	15.3
State and local	8,615	0.4	5.5	203,393	1.9	7.1
Personal income by place of residence	128,505	0.4	5.9	2,541,536	1.7	7.2
Net labor proprietor income	82,873	-1.0	2.0	1,703,734	1.1	4.7
Dividends, interest, and rent	23,091	3.2	15.0	472,399	2.8	13.5
Transfer payments	22,541	3.3	12.6	365,403	3.1	11.7

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

a4110-16

State's Economy Still Sluggish

Job levels and unemployment data for November show the recession to have kept a firm grip on Pennsylvania's economy. Job levels were down from a month earlier in most major sectors of the economy, and the seasonally adjusted unemployment rate rose to 12.1 percent. However, other indicators show only normal seasonal declines, and some were up slightly from a month earlier.

The largest job losses took place in the manufacturing sector, where approximately 7900 jobs in durable goods industries and 6000 jobs in nondurable goods industries were lost last month. Job levels also fell in mining and construction industries.

Furthermore, although the level of jobs in service-producing industries rose slightly, the increase was less than the normal seasonal increase at that time of year. These industries include transportation and public utilities; wholesale and retail trade; insurance, finance, and real estate; services; and federal, state, and local government.

Total employment in Pennsylvania fell slightly in November while another 26,000 residents entered the jobless ranks. The seasonally adjusted unemployment rate stood at 12.1 percent, up from 11.5 percent a month earlier and 9.0 percent a year earlier.

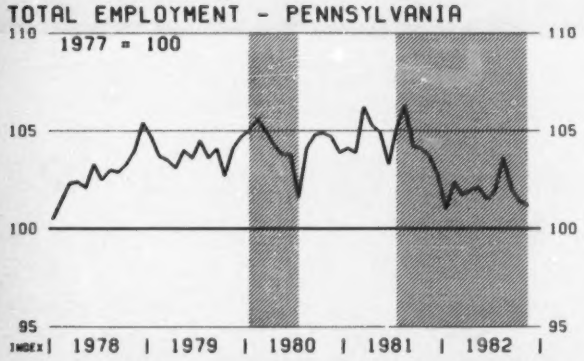
Employment and job levels are good measures of where the economy has been. However, they often continue to fall several months after a recovery begins. Employers increase production first by increasing the hours worked by employees still on the job and only later by hiring back laid-off workers. Therefore, other indicators should be considered in assessing the direction in which the economy is headed.

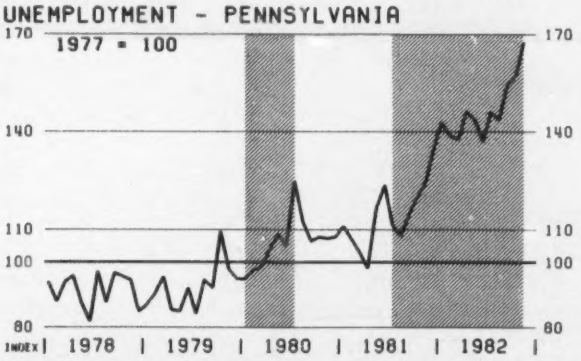
Two leading indicators of the economic business cycle are average weekly hours worked by production workers and initial claims for unemployment benefits. The performance of these indicators remained lackluster in November. Average weekly hours worked by production workers in Pennsylvania's manufacturing industries rose in November, but the increase was slightly short of the normal seasonal increase. At the same time, the number of new claims for unemployment fell after seasonal adjustment for the second consecutive month, but they remained at record high levels.

Somewhat better news was seen in steel production in the state, which levelled off in November. Only the normal seasonal slowdown took place in Pennsylvania's mills while total national production continued to decline more than seasonally expected. As a result, Pennsylvania's share of total national steel production rose to 14.5 percent from 13.0 percent a month earlier but was well below the 18.2 percent of a year ago.

The decline in sales of electricity to industrial users was also halted last month. This indicator, which usually experiences a small seasonal decline in November, rose slightly. Industrial electric power sales reflect short-run changes in industrial production.

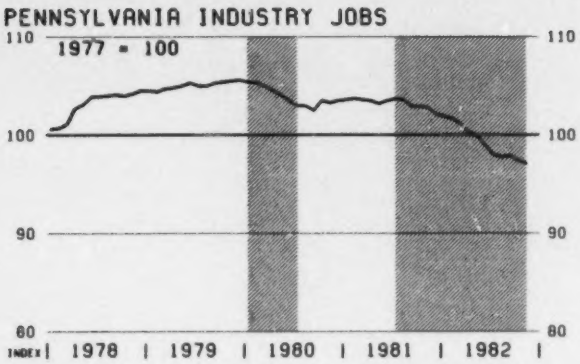
In addition, the value of construction contracts awarded was up from figures of a year ago. An increase was seen in every category, except nonresidential buildings. However, 1981 was a bad year for the construction industry and, if





PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **January 1983**



adjustments are made for inflation, November's advance becomes very weak.

Other good news came in the inflation front. Cost-of-living increases in the state remained moderate in November, running below the national average in Philadelphia and the Scranton/Wilkes-Barre area but above the national average in Pittsburgh.

Recession: Wide and Deep

November marked the recession's 17th month. It has now run as long as the recession which officially ran from November 1973 to March 1975. But, the employment situation in Pennsylvania is worse today than it was at the trough of the relatively severe 1973-75 recession. The current recession has spread to a wider number of industries and has cut deeper into employment in most sectors of the state's economy.

In the past 17 months, the number of wage and salaried jobs in all Pennsylvania's nonfarm industries has dropped by 6.4 percent. In the earlier recession, only 3.1 percent of total nonfarm payroll jobs were lost in the state before employment in these industries began to pick up in July of 1975.

Some industries have been harder hit than others. The manufacturing sector, which is traditionally sensitive to business cycle fluctuations, has been especially hard hit. Since July 1981, the number of manufacturing jobs has dropped by 16.0 percent. Within the manufacturing sector,

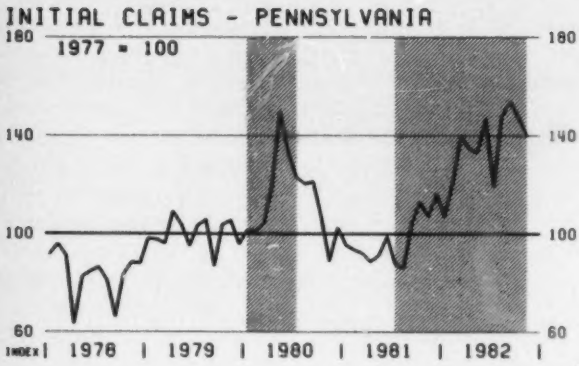
Economic Activity in Pennsylvania	1982 Oct	1982 Nov	1981 Nov	Seasonally Adjusted Indexes (1977 = 100.) 1982 Oct	1982 Nov	1981 Nov
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,486*	4,477	4,742	97.4*	97.1	102.8
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,364*	3,372	3,459	103.7*	103.6	106.2
Manufacturing						
No. of wage and salaried jobs (thous.)	1,116*	1,102	1,277	83.0*	82.1	95.2
Ave. wkly. hrs. worked by prod. workers	38.1	38.5	39.3	96.4	96.2	98.2
Total wkly. person-hours worked (mils.)	28.7*	28.6	35.2	74.6*	73.3	90.4
Total wkly. payroll (mil. dols.)	247.7*	249.0	298.2	110.3*	108.8	130.3
Steel production (thous. tons)	685	661	1,448	33	33	73
Industrial electric power sales (mil. kwh)	3,107	3,112	3,680	83	86	101
Mining						
Anthracite coal (thous. net tons)	387	347	676	72	61	118
Bituminous coal (thous. net tons)	5,657	n.a.	6,649	73	n.a.	92
Construction contracts awarded (mil. dols.)						
Total	357.2	349.8	316.9*	105	107	95*
Residential building	140.5	123.3	123.5*	67	74	72*
Other building	167.1	184.6	177.7*	165	142	145*
Nonbuilding (utilities and public works)	49.6	41.9	15.7*	63	91	36*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,919	4,916	5,035	101.4	101.2	103.7
Unemployed						
No. of persons (thous.)	620	646	480	156.5	167.3	124.5
Rate (percentage of labor force)	11.2	11.6	8.7	—	—	—
Rate, seasonally adjusted	11.5	12.1	9.0	—	—	—
Civilian labor force, no. of persons (thous.)	5,539	5,562	5,515	105.6	106.3	105.3

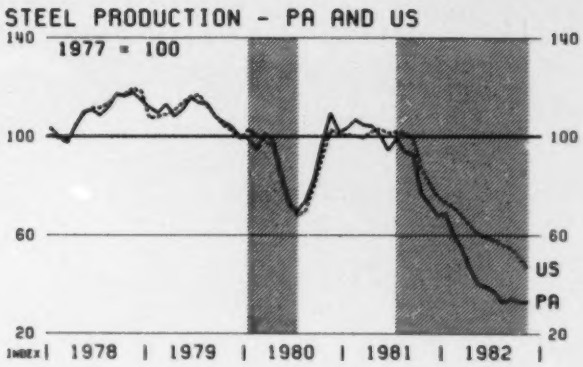
Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982 Oct	1982 Nov	1981 Nov	Percentage Change Month Ago	Year Ago
U.S. city average	294.1	293.6	280.7	−0.2	+4.6
Philadelphia	281.8	282.9	274.1	+0.4	+3.2
Pittsburgh	300.7	n.a.	277.7†	n.a.	+8.3
Northeast PA	n.a.	279.4	272.2	n.a.	+2.6

Notes: Data on employment have been revised to first quarter 1981 benchmarks.

* = Figure revised † = Figure for September 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST





employment in durable goods industries has fallen 21.8 percent while employment in nondurable goods industries has fallen 6.7 percent.

These declines differ from those experienced in the 1973-75 recession. Because 1973 and 1974 were boom years for the steel industry, employment cutbacks were not made until later in the recession. As a result, the total job loss in durable goods industries during the 1973-75 recession was only 11.4 percent — a little more than half of the loss in the current recession. On the other hand, the job loss in nondurable goods industries was 13.2 percent — double the loss experienced in this recession to date. Total manufacturing jobs in Pennsylvania declined 11.8 percent during the earlier recession.

Other differences in job losses can be seen in the mining industry. One cause of the 1973-75 recession was the oil embargo some OPEC nations imposed on oil shipments to the United States. This embargo helped revitalize the coal industry. Employment in mining increased in Pennsylvania by 14.2 percent during that recession. In contrast, there is currently an abundance of oil. Furthermore, the decline in the steel industry, a major user of Pennsylvania coal, and the shift in the production of coal from the Appalachian region to the west has severely affected the coal mining industry in the state; the number of mining jobs has slipped 12.4 percent since the beginning of the recession.

The construction industry in Pennsylvania has been severely affected in both recessions. Plagued by record real interest rates, the industry has lost 14.4 percent of total jobs since July 1981. In the earlier recession, the number of construction jobs continued to climb until March 1974. The decline between that month and May 1975 when the job level began to turn around again was 15.5 percent.

The current recession has also been more pervasive than the 1973-75 recession, cutting into service-producing industries, generally considered to be recession-proof. Since July 1981, 1.8 percent of wage and salaried jobs in these industries have been lost. In the earlier recession, the job level in this sector grew 1.7 percent.

The seasonally adjusted unemployment rate for the state has risen 4.2 percentage points, from 7.9 percent in July 1981 to 12.1 percent this November. In the earlier recession, it rose 5.1 percentage points from a much lower 4.1 percent in March 1973 to 9.2 percent in May 1975. By the end of 1981, the earlier recession's peak unemployment rate had been reached. The higher rates this time are partly due to greater labor force participation among many population groups.

Nationally, the percentage decline in total nonfarm payroll jobs between July 1981 and November of this year and between the peak and the trough of the 1973-75 recession were both 2.9 percent. The two recessions also had different impacts on the employment levels in the different sectors of the national economy; the nondurable goods and construction industries have faired slightly better this time round while the mining and service-producing sectors have faired less well. Durable goods industries lost almost 14 percent of jobs during both recessionary periods.

Unemployment in the nation as a whole has risen by 3.6 percentage points since July 1981 when it stood at 7.2 percent. In the 1973-75 recession, unemployment rose by 3.8 percentage points, from 4.8 percent in November 1973 to 8.6 percent in March 1975.

The pattern and depth of job losses in Pennsylvania during the 1973-75 recession matched the pattern for the nation as a whole fairly closely. Nevertheless, it took Pennsylvania's industries nine to 12 months longer than the national average to regain previous peak job levels.

The job cuts in most major sectors of the state's economy have been larger than those in the national economy in the current recession. Thus, the outlook is grim. Pennsylvanians can expect a long and slow road back to economic good times.

— Norma Gavin Pappas

PENNSYLVANIA BUSINESS SURVEY

January 1983 Vol. 24, No. 1

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director — Pa. Economic Analysis Program
Norma Gavin Pappas, Editor
Doris Bickle, Staff Assistant
Amy H. Bohm, Subscription Coordinator
Valeria J. Martin, Office Manager
Richard Reid, Graduate Assistant
Nelson J. Lacey, Graduate Assistant

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

ADDRESS CORRECTION REQUESTED

018-01-03332
* CONGRESSIONAL INFOR SRV-SR I
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

U.Ed. 83-411

Employment by Major Population Groups

All major population groups in Pennsylvania had more employed in the third quarter of this year than in the second quarter. However, compared to year-ago figures, there were fewer employed in every group, except women.

The largest percentage decrease was experienced by nonwhites among whom employment dropped by 12.3 percent over the year. Numerically, the greatest loss was suffered by men; approximately 193,000 fewer males were employed in the third quarter of this year compared to the number employed in the third quarter of last year.

In addition, the number of jobless Pennsylvanians in the work force rose last quarter in all major groups, except nonwhites. The unemployment rate for blacks and other racial groups declined slightly in the third quarter from second quarter's level. But because of the small sample size in this group, the increase was not statistically significant, and therefore it does not necessarily indicate improved conditions.

The increases in the number of employed and unemployed residents were a result of higher labor force participation among all groups last quarter. The only exception was among men; the labor force participation rate for males remained unchanged at 73.4 percent.

The recession continued to have a greater impact on male workers than female workers in Pennsylvania. The unemployment rate among men in the state was 11.8 percent last quarter compared to a 9.2 percent jobless rate among women. Nationally, the unemployment rate for men fell below the rate for women last quarter, returning to the historical relationship. The continued reversal in Pennsylvania of the tendency for men to have a higher unemployment rate than women points out the severe effects the current recession has had on durable goods manufacturing industries, which employ a disproportionately large share of the male work force.

The unemployment rate for nonwhites was 20.0 percent in the July-September period, not significantly different from the 19.0 percent rate in the third quarter of last year; nationally, nonwhite workers had a 17.8 percent unemployment rate. Pennsylvania's minorities were also less likely to be actively looking for work than minorities nationwide — about 54 percent of the state's minorities, 16 years of age and older, were in the labor force compared with nearly 63 percent of nonwhites nationally.

Among Pennsylvania's teenagers, 22.9 percent were unemployed during the July-September period, a rise from 17.8 percent in the third quarter of last year. The state's pattern of teenage unemployment change mirrored the national trend where a 22.1 percent rate was reported.

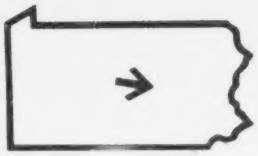
— *Norma Gavin Pappas*

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percentage Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1982 III (in thousands)	Over quarter	Over year	1982 III	1982 II	1981 III	1982 III	1982 II	1981 III
Pennsylvania									
Total, seasonally adjusted	4,915	0.5	—	10.9	10.3	8.2	60.3	59.6	60.4
Total, unadjusted	4,966	1.8	- 2.6	10.6	10.1	8.0	60.7	59.4	60.9
Male	2,788	0.9	- 6.5	11.8	11.2	7.9	73.4	73.4	75.6
Female	2,178	2.9	2.9	9.2	8.7	8.2	49.5	47.8	47.9
White	4,623	1.5	- 1.8	9.8	9.2	7.0	61.4	60.3	61.2
Black and other	343	4.9	-12.3	20.0	21.8	19.0	53.7	50.8	57.4
16-19 years old	377	15.6	- 8.0	22.9	20.2	17.8	58.4	50.5	60.0
United States									
Total, seasonally adjusted	99,764	0.0	—	9.9	9.5	7.4	64.2	64.0	63.8
Total, unadjusted	100,839	1.0	- 0.9	9.7	9.3	7.3	64.7	64.0	64.4
Male	57,301	1.1	- 2.4	9.5	9.4	6.6	77.6	76.9	77.9
Female	43.539	0.9	1.2	9.9	9.2	8.2	53.2	52.4	52.2
White	88,986	0.8	- 1.0	8.5	8.2	6.2	65.0	64.4	64.7
Black and other	11,853	2.9	0.3	17.8	17.0	14.6	62.9	61.2	62.2
16-19 years old	7,396	10.7	- 8.9	22.1	23.3	17.9	60.4	55.0	61.2

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.
NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

3/21/83 44110-18



1982 in Review and an Outlook on 1983

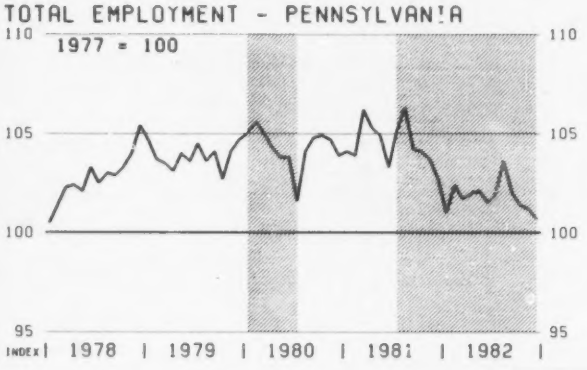
The year ended with the economies of both Pennsylvania and the nation performing at their lowest levels in the post-World War II era and with the Pennsylvania economy in considerably worse condition than the nation's in general.

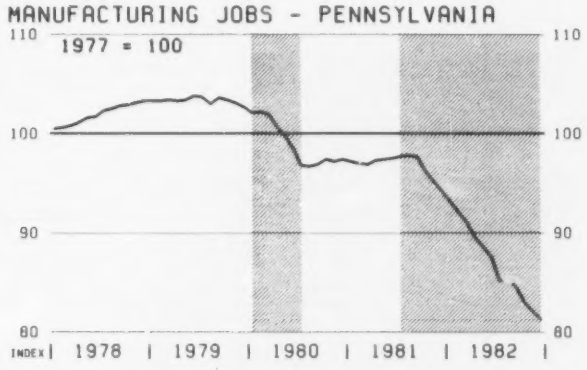
Almost 100,000 fewer Pennsylvanians were employed in December than in the same month a year earlier, bringing the seasonally adjusted employment rate for the state to 12.9 percent. The comparable rate for the nation was 10.8 percent. Ten other states had higher rates.

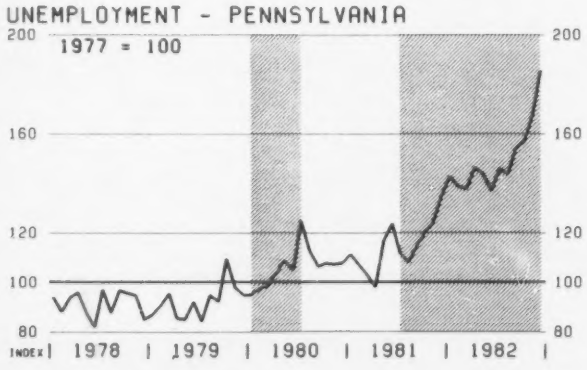
In January the unemployment rate in the state rose further to 13.6 percent while the rate for the nation dropped to 10.4 percent.

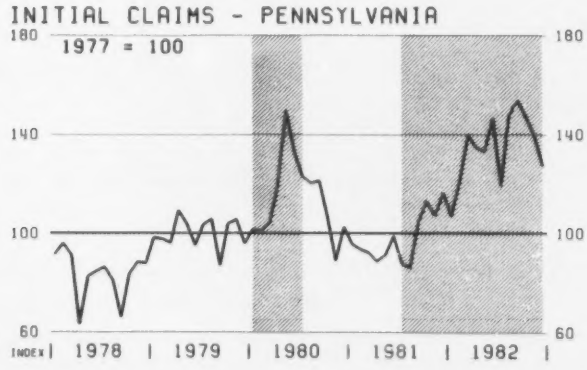
The bulk of the employment losses over the year for both the state and the nation took place in the manufacturing sector as factory activity slowed to postwar lows. When the current contraction began in July 1981, the level of industrial activity was already low relative to the postwar trend because of the proximity of the previous recession and longer-run problems of some major U.S. industries, such as autos and steel.[1] The rate of capacity utilization in manufacturing, which had been 87.2 percent at the peak in March 1979, reached only 80.0 percent at its highest point in 1981. In December 1982, the operating rate fell to a seasonally adjusted 67.3 percent of

[1]Much of the analysis of the U.S. industrial production is taken from Joan D. Hosley and Richard D. Raddock, "Industrial Production in Recession," *Federal Reserve Bulletin*, November 1982, pp. 681-690.









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **February 1983**

capacity, the lowest monthly rate in the 34 years the Federal Reserve Board has kept this statistic. The average annual rate for 1982 at 69.8 percent of capacity was also the lowest recorded annual rate.

Since the beginning of this recession, the Fed's index of industrial production for the nation has declined 12.5 percent. More than half of this decline can be accounted for by the drop in the output of industrial materials, which declined 17.3 percent between July 1981 and December 1982. Durable goods materials fell 22.3 percent in this time.

Although the output of durable goods materials traditionally tends to fluctuate more widely over the business cycle than does both the output of products and the output of nondurable goods materials, the cutbacks in durable goods materials have been especially acute in this recession. Several factors have contributed to these cutbacks, including sharp declines in demand for consumer durables, construction supplies, and business equipment; massive inventory liquidation; reductions in demand from abroad, caused in part by the appreciation of the dollar; and in some cases, sharper competition from foreign producers of materials.

The steep declines in durable goods materials explain Pennsylvania's relatively worse performance when compared to national averages. Not only does Pennsylvania have a larger share of these industries than other states on average, but also the state's industries that produce these materials have been more vulnerable.

The steel industry is a case in point. Many of the state's mills are among the oldest and least efficient in operation in the U.S. When a downturn in the industry occurs, these are the first to be shut down. Therefore, while raw steel production in the nation in 1982 was down by almost 40 percent from 1981 levels, the total tonnage of raw steel produced in Pennsylvania's mills was less than half that produced in 1981. Only 13.2 percent of the total output of raw steel in the U.S. came from Pennsylvania's mills in December compared to an average of 20 percent in 1981. The

Economic Activity in Pennsylvania	1982 Nov.	1982 Dec.	1981 Dec.	Seasonally Adjusted Indexes (1977 = 100.) 1982 Nov.	1982 Dec.	1981 Dec.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,476*	4,440	4,711	97.0*	96.4	102.1
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,371*	3,351	3,440	103.6	103.0	105.8
Manufacturing						
No. of wage and salaried jobs (thous.)	1,102	1,091	1,264	82.1	81.3	94.2
Ave. wkly. hrs. worked by prod. workers	38.5	38.4	39.0	96.2	96.4	97.9
Total wkly. person-hours worked (mils.)	28.6	28.1	34.4	73.3	72.9	89.4
Total wkly. payroll (mil. dols.)	248.8*	247.0	293.7	108.7*	108.4	129.0
Steel production (thous. tons)	661	587	1,430	33	28	68
Industrial electric power sales (mil. kwh)	3,112	2,999	3,642	86	83	101
Mining						
Anthracite coal (thous. net tons)	347	353	394*	61	77	86*
Bituminous coal (thous. net tons)	5,337	n.a.	7,570	74	n.a.	102
Construction contracts awarded (mil. dols.)						
Total	349.6	306.2	387.6*	107	126	148*
Residential building	123.3	108.8	93.5*	74	91	78*
Other building	184.6	142.4	146.1*	142	174	162*
Nonbuilding (utilities and public works)	41.9	55.1	148.0*	91	85	233*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,916	4,831	4,930	101.2	100.7	102.7
Unemployed						
No. of persons (thous.)	646	692	506	167.3	185.4	135.3
Rate (percentage of labor force)	11.6	12.5	9.3	—	—	—
Rate, seasonally adjusted	12.1	12.9	9.6	—	—	—
Civilian labor force, no. of persons (thous.)	5,562	5,523	5,437	106.3	107.2	105.2
Initial claims for unemployment benefits	204,590	253,225	239,778	139.9	127.4	116.5

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982 Nov.	1982 Dec.	1981 Dec.	Percentage Change Month Ago	Year Ago
U.S. city average	293.6	292.4	281.8	−0.4	+3.8
Philadelphia	282.9	281.6	274.9	−0.5	+2.4
Pittsburgh	n.a.	302.1	281.8	n.a.	+7.2
Northeast PA	279.4	n.a.	272.2	n.a.	+2.6

Notes: Data on employment have been revised to first quarter 1981 benchmarks.

* = Figure revised =figure for November 1981 n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

state has fallen from first to third place among the leading states in the production of steel. It now ranks behind Indiana and Ohio.

These cutbacks have had dramatic effects on industry job levels. Job losses in the durable goods sector (products and materials) have been sharp and steady in the state over the course of the recession. As 1982 came to an end, one out of every four jobs that had existed in these industries in September 1981 had been cut.

Production and employment levels in other industries followed a more varied course. The decline in total output from the nation's factories was most pronounced in the first six months of the recession as producers cut production more sharply than sales to adjust inventories. The index of industrial production fell 8.6 percent between July 1981 and January 1982. In the first half of 1982, the output of consumer goods stabilized, slowing the decline in total production. The index fell only another 1.2 percent between January 1982 and July of the same year. These developments, along with the boost to spendable income for the July 1 federal income tax cut, led analysts to believe that an upturn in economic activity would take place during the summer.

But, industrial activity remained weak. Retail sales failed to pick up. Moreover, the contraction in business investment persisted unabated and the sizable appreciation of the dollar kept many goods produced in the U.S. at a competitive disadvantage both at home and abroad. As a result, factory output slipped another 2.7 percent by the end of the year.

No index of industrial production is available for Pennsylvania. However, short-run changes in total factory output are reflected in sales of electricity to industrial users. These data show the same pattern of production for the state as seen in the Fed's index for the U.S. Industrial electric power sales were down a sharp 11.7 percent from July 1981 to January 1982; they eased somewhat from January 1982 to July 1982 with a drop of 5.6 percent; and they fell at the slightly higher pace of 7.5 percent in the second half of 1982.

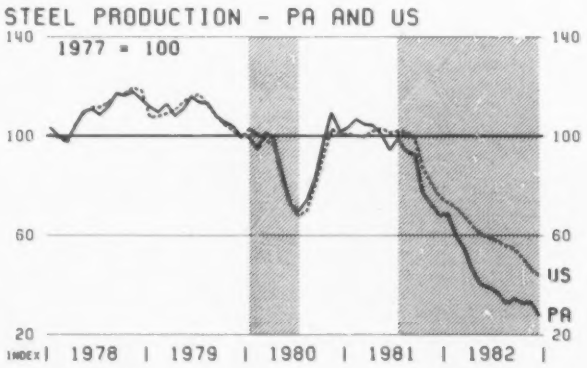
What analysts are predicting for 1983 is pretty much what they had predicted, but did not get, for 1982 — slow growth in the first half of the year, with an improved, but still quite modest, rate of growth in the second half of the year. These predictions may have a better chance of being realized this year as many of the negative factors that prevented a recovery last year have improved. Short-term interest rates have dropped sharply since August 1982 although long-term real rates remain stubbornly high. Consumers have improved their balance sheets by paying off installment debt. In July, they will get a further boost from another 10 percent personal income tax cut. Inventories have been slashed to the bone. Therefore, producers will have to raise production as consumer demand picks up, and that will eventually lead to more hiring. The financial position of business is greatly improved as companies have held down costs by cutting employment, limiting wage gains, and increasing productivity. Finally, the dollar has begun to weaken. If it continues to decline, U.S. producers may be able to capture some of the market share lost to overseas manufacturers during the last couple of years.

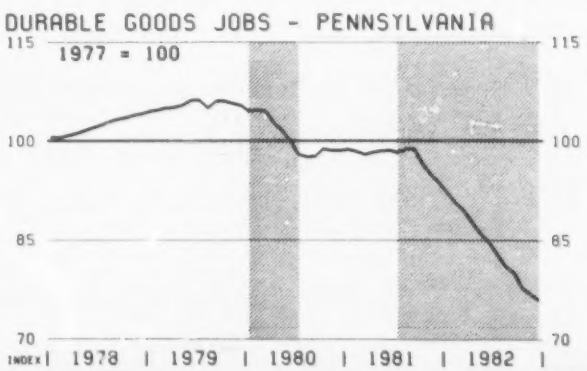
Yet, there are many obstacles to growth remaining in the path of the economy. The record budget deficits of the federal government will put upward pressure on interest rates as the Treasury competes with private borrowers in the money markets. Furthermore, with much of the projected growth in Gross National Product coming from higher productivity, employment will rise only as fast as the expected growth in the labor force and not fast enough to absorb the backlog of people looking for work. Continued high unemployment will have a dampening effect on consumer spending.

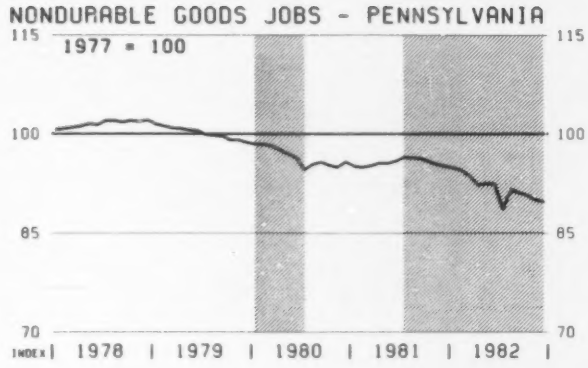
Thus, there are signs that economic recovery is on its way, but the road there is a rocky one. It is especially rocky for Pennsylvania as a review and outlook of the major industry groups in Pennsylvania given below indicate.

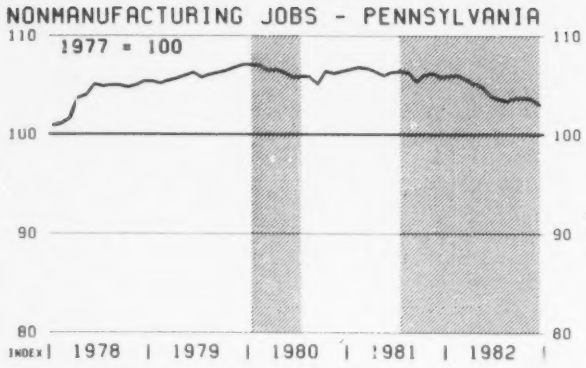
Primary metals. Historically, primary metals industries, which include producers of steel, aluminum, and other nonferrous metals, have been a large and important segment of the Pennsylvania economy. In 1960, this sector accounted for more than 8 percent of total Gross State Product (GSP) and 6.8 percent of all nonfarm industry jobs, providing employment for approximately 252,900 Pennsylvanians.

However, except for the upturns in 1963-64 and 1973-74, the relative contribution of this industry group to the strength of the economy has been on a decline since the early 1960s. In 1981, only 6.4 percent of GSP and 3.9 percent of total nonfarm industry jobs in the state came from this sector. In 1982, it contracted further; the average monthly job level in the primary metals industry group fell 23.9 percent. At year end, there were only 116,000 positions in these industries, accounting for 2.6 percent of all nonfarm industry jobs. Furthermore, no improvement was in sight; early orders for the first quarter of 1983 indicated a decline from the fourth quarter of 1982.









Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania			United States		
	1981*	1982*	Percentage Change	1981*	1982*	Percentage Change
No. of wage and salaried jobs						
All nonfarm industries	4,737	4,534	-4.3	91,105	89,619	-1.6
Goods-producing industries	1,528	1,374	-10.1	25,481	23,882	-6.3
Mining	45	44	-2.2	1,132	1,122	-0.9
Construction	183	163	-10.9	4,176	3,912	-6.3
Manufacturing	1,300	1,167	-10.2	20,173	18,849	-6.6
Durable goods	791	678	-14.3	12,117	11,114	-8.3
Primary metals	184	140	-23.9	1,121	919	-18.0
Nondurable goods	509	488	-4.1	8,056	7,735	-4.0
Service-producing industries	3,198	3,157	-1.3	65,625	65,737	+0.2
Transportation and public utilities	258	242	-6.2	5,157	5,057	-1.9
Wholesale trade	245	237	-3.3	5,359	5,294	-1.2
Retail trade	742	731	-1.5	15,192	15,253	+0.4
Finance, insurance, and real estate	241	242	+0.4	5,301	5,350	+0.9
Services and miscellaneous	1,006	1,017	+1.1	18,592	19,000	+2.2
Federal government	134	135	+0.7	2,772	2,733	-1.4
State and local government	572	553	-3.3	13,253	13,051	-1.5
Ave. wkly. hours worked by production workers						
All manufacturing industries	39.2	38.4	-2.0	39.8	38.9	-2.3
Durable goods	40.2	39.1	-2.7	40.2	39.3	-2.2
Primary metals	38.6	37.0	-4.1	40.5	38.5	-4.9
Nondurable goods	37.8	37.3	-1.3	39.1	38.4	-1.8
Total factory person-hours worked *(mils.)*	36.0	30.5	-15.3	558.0	497.5	-10.8
Total factory payrolls *(mil. dols.)*	299	263	-12.0	4,460	4,228	-5.2
Steel production *(thou. tons)*	2,004	908	-54.7	10,001	6,075	-39.3
Industrial electric power sales *(mil. kwh)*	3,841	3,537	-7.9	n.a.	n.a.	n.a.
Mining						
Anthracite *(thou. net tons)*[1]	452	352	-22.1			
Bituminous *(thou. net tons)*	6,333	5,993	-5.4	68,196	68,315	+0.2
Construction contracts awarded						
Total, current dollars (mils.)	409.2	371.9	-9.1	12,790.0	12,885.0	+0.7
Residential building	134.1	124.4	-7.2	5,013.7	4,839.7	-3.5
Nonresidential building	170.7	146.5	-14.2	5,007.3	4,934.0	-1.5
Nonbuilding (utilities and public works)	104.4	101.0	-3.3	2,769.0	3,111.3	+12.4
Total, constant 1977 dollars (mils.)[†]	268.3	238.2	-11.2	8,386.9	8,254.3	-1.6
Residential building	87.9	79.7	-9.3	3,287.7	3,100.4	-5.7
Nonresidential building	111.9	93.9	-16.1	3,283.5	3,160.8	-3.7
Nonbuilding	68.5	64.7	-5.5	1,815.7	1,993.1	+9.8
Employed, no. of persons (thous.)	5,018	4,889	-2.6	100,397	99,526	-0.9
Unemployed						
No. of persons (thous.)	458	599	+30.8	8,273	10,678	+29.1
Rate (percentage of labor force)	8.4	10.9		7.6	9.7	
Civilian labor force, no. of persons (thous.)	5,476	5,488	+0.2	108,670	110,204	+1.4
Initial claims for unemployment benefits (thous.)	141	190	+34.8			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)						
U.S. city average				272.4	289.1	+6.1
Philadelphia	266.0	279.0	+4.9			
Pittsburgh	273.3	288.9	+5.7			
Northeast PA	263.3	273.4	+3.8			

*Average of monthly figures.

[1]Pennsylvania is the only state mining Anthracite.

[†]Based on the Department of Commerce Monthly Composite Construction Cost Index.

Nevertheless, most analysts expect the metals industries to start to recover in 1983. Inventories have been cut to the bone. A shift from inventory cutting to inventory stability alone could increase steel shipments by more than 20 percent.[1] Furthermore, with little or no backlog in orders, any increase in demand could lead to almost immediate gains in production.

Some increase in demand is expected in consumer markets for 1983. Modest gains are predicted for automotive, home building, and appliances. But these are not expected to offset losses in the industrial sector. Further declines are predicted for heavy construction, machinery, railroad products, and oil and gas drilling. Thus, further permanent contraction in the primary metals industry group is likely.

Other durable goods. Pennsylvania's other durable goods industries have fared less well than the national average for these industries. This sector, which accounted for 13.7 percent of GSP in 1981, includes transportation equipment, machinery, and fabricated metal products. From 1981 to 1982, the average monthly job level in these industries fell 11.4 percent in Pennsylvania while they fell 7.3 percent in the U.S.

Lower interest rates in 1983 may help to stir up some activity in this sector. But, it is still expected to limp along, and because of the concentration of metalworking industries in Pennsylvania's durable goods industry mix, we can expect the state to continue to trail the nation.

Nondurable goods. On the other hand, Pennsylvania's nondurable goods sector, which includes such industries as textiles, apparel, and food products, has fared about the same as the national average, losing approximately 4 percent of all wage and salaried jobs from 1981 to 1982.

These industries should lead the manufacturing industries in the recovery. Furthermore, Pennsylvania's nondurable goods industries should keep pace with the nation's, and because they contribute a significant amount of GSP—11.1 percent of the total in 1981—these industries should have a stabilizing effect on the state's economy.

Construction. Last year was disastrous for the state's construction industry, but 1983 should be much better. Nationally, the value of total construction contracts awarded, propped up by utility and public works awards, rose a slight 0.7 percent. But, after adjusting for inflation, it was 1.6 percent below the 1981 level. Employment in the industry fell 6.3 percent. In Pennsylvania, the picture was even more dismal. The value of awards in constant dollars dove 11.2 percent and was only 40 percent of the 1971 peak. Furthermore, employment in the state's construction industry fell 10.9 percent from the 1981 level.

With the lower interest rates, the industry is showing signs of recovery. However, almost all of the improvement this year is expected to occur in private residential buildings. In addition, the recent passage of the gasoline-tax increase to fund public works programs could result in a significant rise in this category. But, the overbuilt commercial building industry is expected to decline further.

[1]"Annual Forecast," *Chilton's Iron Age*, January 3, 1983, p. 33.

Because of the generally worse conditions in the state's overall economy compared to the nation's, Pennsylvania's construction industry is not expected to recover as fast or as completely as the industry nationwide.

Mining. Pennsylvania's two major extractive industries—bituminous coal and crude petroleum—are in a contraction for which no immediate end is in sight. The failure of the OPEC nations to agree on production cuts to stem the excess supply of oil on the world market jeopardizes the competitiveness of Pennsylvania's energy fuels. The contraction of the steel industry, a major consumer of coal, has also had a dampening effect on the state's coal industry. In addition, coal producers in Pennsylvania and other Appalachian states have lost market share to producers in western parts of the U.S., where coal is cheaper to extract, is closer to market growth, and is of a lower sulfur content and therefore less polluting when burned.[1] Consequently, although Appalachian coal has a higher energy content, western producers have taken over the competitive advantage.

Analysts predict that if a sustainable economic recovery materializes and if the supply of petroleum stabilizes, the demand for coal both at home and abroad is likely to grow, providing opportunities for all coal-producing regions to increase output. Nevertheless, western producers will probably take a greater share of the coal market. Thus, the coal industry in Pennsylvania should expect a less robust recovery than the nation as a whole. But, because it contributes slighly less than 2 percent of the GSP, the overall effect on the state's economy will not be that great.

Services. The service-producing sector of the economy, which accounted for over 60 percent of GSP in 1981, has shown greater strength during the recession although some weakening is evident. This sector includes such diverse industries as transportation and public utilities, wholesale and retail trade, finance, insurance, and real estate, and other services, as well as government.

Nationally, the average job level in these industries in 1982 held its 1981 level, increasing only a slight 0.2 percent. In Pennsylvania, on the other hand, 1.3 percent of jobs in the service-producing sector were lost in 1982. Each major

[1]Gerald H. Anderson, "The Shift to Western Coal," *Economic Commentary*, (Federal Reserve Bank of Cleveland: Cleveland, Ohio, October 18, 1982).

PENNSYLVANIA BUSINESS SURVEY

February 1983 Vol. 24, No. 2

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director — Pa. Economic Analysis Program
Norma Gavin Pappas, Editor
Doris Bickle, Staff Assistant
Amy H. Bohm, Subscription Coordinator
Valeria J. Martin, Office Manager
Richard Reid, Graduate Assistant
Nelson J. Lacey, Graduate Assistant

industry group within the sector, except for federal government, either lost a larger percentage of jobs or gained a smaller percentage of jobs than did the nation as a whole.

The miscellaneous service industries showed the greatest expansion although the rate of expansion was the slowest in 24 years for the nation and the slowest in 20 years for the state. Over half the new jobs gained last year were in the health industry, and most of the rest were in social services and the amusement and recreation industry.[1] Employment in these industries will continue to grow, and other industries in this category are expected to begin to grow soon. Much hope is put on consumer spending to get the economy moving. Thus, retail sales are expected to be one of the next indicators to show improvement. The stock market has already shown gains with positive effects on profits and employment in the finance industry.

In conclusion, Pennsylvania's economy will soon begin to recover but will continue to trail the nation. Some of the contraction in the state's heavy manufacturing industries is permanent and this will continue to dampen consumer confidence and drag down other sectors of the economy in 1983. Low-paying service jobs requiring few specialized skills will be easily filled, but those jobs requiring more specialized skills may go unfilled despite high unemployment while the labor force retrains to meet the challenge.

[1] "Where the Jobs Aren't: The Recession Will Go on and on for Blue-collar Workers," *Fortune*, February 7, 1983, p. 25-26.

Around the State

Southeastern Quarter

Harrisburg

The Harrisburg economy has proven to be the most hardy of the major metropolitan economies of the state with respect to employment losses. The area lost the smallest percentage of total nonfarm industry jobs on average in 1982 and had the lowest average monthly unemployment rate for the year.

The area's economy is bolstered by government employment and a strong service sector. At the end of 1982, the number of wage and salaried jobs in federal, state, and local government was unchanged from a year earlier while the job level in the service sector grew by almost 3 percent from December 1981 to December 1982.

Nevertheless, the recession has not left the area untouched. A slowdown in economic activity was clearly evident in the fourth quarter of last year. Job levels were down in both manufacturing and nonmanufacturing industries, and sales of electricity to industrial users, an indicator of short-run changes in industrial output, were only about three-fourths of 1981 fourth quarter sales.

Despite these losses, the Harrisburg area had the smallest decline in the average monthly job level in nonmanufacturing industries and the second smallest decline in the average monthly job level in manufacturing industries among the state's major metropolitan areas — only the State College area had a smaller drop.

The area's construction industry showed the greatest weakness in 1982. The job level in this industry group fell 10.9 percent from December 1981 to December 1982, and the value of construction contracts awarded for nonresidential buildings fell almost 30 percent for its 1981 level.

However, the value of residential contracts was up almost 10 percent from the 1981 level after adjusting for inflation. In addition, there was a sharp increase in the value of nonresidential contracts in the fourth quarter of 1982.

Lancaster

Recession effects continued to dominate the Lancaster area economy in the final quarter of 1982. However, compared to the economies of other metropolitan areas in the state, it has fared relatively well during the course of the recession.

Employment conditions in the area worsened after having shown some improvement in the two middle quarters of the year. The seasonally adjusted unemployment rate rose to 7.6 percent in the fourth quarter following a 7.1 percent rate in the third quarter but was below the high of 8.1 percent in the first quarter of the year. Total employment of area residents also fell last quarter after increases in the previous two quarters.

Harrisburg Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'82	4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	224.9	114	116	113
Unemployed, no. of residents	16.0	144	123	130
Civilian labor force, no. of residents	240.9	116	116	114
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	222.8	107	108	108
Nonmfg. only, no. of jobs	183.7	109	110	110
Mfg. only, no. of jobs	39.1	98	100	103
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	98	98	99
Industrial electric power sales	***	77	84	100

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	17.8	+ 11.9	+ 18.7
Nonresidential bldg. contracts only	54.4	+361.0	+110.9

[1] Cumberland, Dauphin and Perry Counties

Lancaster Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	172.7	110	111	111
Unemployed, no. of residents	13.8	176	156	144
Civilian labor force, no. of residents	186.5	113	113	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	149.0	104	105	109
Nonmfg. only, no. of jobs	95.0	111	110	112
Mfg. only, no. of jobs	54.0	95	97	105
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	96	97	96
Industrial electric power sales	***	94	93	103

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	19.0	+ 8.0	+39.7
Nonresidential bldg. contracts only	7.1	−25.3	−53.0

[1]Lancaster County

Philadelphia Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	2,023.7	107	107	106
Unemployed, no. of residents	138.2	111	100	103
Civilian labor force, no. of residents	2,211.9	107	107	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	1,891.1	103	103	104
Nonmfg. only, no. of jobs	1,501.2	108	107	108
Mfg. only, no. of jobs	389.5	87	89	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	97	97	99
Industrial electric power sales				
Metropolitan area	***	96	94	99
Chester	***	95	89	96
Philadelphia	***	96	94	100

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only / residents	135.9	−28.8	− 8.6
Nonresidential bldg. contracts only	147.4	−28.1	−39.6

[1]Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pa.; Burlington, Camden and Gloucester counties, N.J.

The total nonfarm industry job level fell for the fifth consecutive quarter. Most of the job losses were in the durable goods manufacturing sector, but a substantial number of jobs were also lost in nondurable goods manufactures and services. However, total nonmanufacturing jobs rose from a quarter earlier.

In addition, no improvement was seen in the length of the average factory workweek or in industrial electric power sales. Both of these measures declined in the fourth quarter after seasonal adjustment.

Nevertheless, the Lancaster area economy has survived the recession relatively well compared to other metropolitan areas in the state. Although the area's average total nonfarm industry job level was down 2.7 percent in 1982 from its 1981 level, only the Harrisburg and Philadelphia metropolitan areas had smaller drops. In addition, only the Harrisburg area had an average monthly unemployment rate in 1982 lower than Lancaster's 7.5 percent.

Philadelphia

The Philadelphia area economy has weathered the recession relatively well compared to other metropolitan areas in the state. The average nonfarm industry job level fell 2.1 percent in 1982 from a year earlier; only the Harrisburg area had a lower percentage drop in these jobs.

Nevertheless, recovery remained elusive in the fourth quarter of last year. The number of jobless residents rose to

	Altoona 1982*	Altoona Percentage Change 1981-1982	Erie 1982*	Erie Percentage Change 1981-1982	Harrisburg 1982*	Harrisburg Percentage Change 1981-1982	Johnstown 1982*	Johnstown Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	48.0	-3.8	105.6	-4.8	224.5	-0.5	77.0	-7.1
Manufacturing	11.2	-11.1	38.5	-6.1	40.3	-3.8	14.4	-15.3
Durable goods	5.3	-10.2	29.2	-7.3	18.7	-8.8	8.3	-25.9
Nondurable goods	6.6	-1.5	9.2	-3.2	21.5	+0.5	6.1	+5.2
Nonmanufacturing	36.1	-3.2	67.1	-3.5	184.2	+0.3	62.5	-3.7
Ave. wkly. hours worked by production workers								
Manufacturing	38.6	+0.3	40.0	-2.7	38.7	-3.0	35.2	-5.6
Durable goods	39.3	+0.3	39.3	-3.9	38.9	-5.4	36.3	-5.2
Nondurable goods	37.7	-0.5	42.0	-0.2	38.5	-1.3	33.7	-5.1
Industrial electric power sales index (1977 = 100)	82	-14.4	81	-22.7	87	-18.6	105	+1.6
Construction contracts awarded *(mil. dols.)*								
Residential buildings	1.5	+50.0	2.8	+33.3	5.4	+12.5	2.7	-6.9
Nonresidential buildings	1.8	+20.0	1.9	-57.8	6.4	-29.7	2.1	+31.2
Employment of Residents								
Employed, no of persons *(thous.)*	50.2	-2.5	109.4	-3.4	223.9	+0.7	88.0	-5.9
Unemployed								
No. of persons *(thous.)*	7.5	+7.1	15.8	+27.4	15.6	+10.6	18.1	+30.2
Rate *(percentage of labor force)*	13.0		12.6		6.5		17.1	
Civilian labor force, no. of persons *(thous.)*	57.7	-1.4	125.2	-0.4	239.5	+1.2	106.1	-1.2

*Average of monthly figures.

9.0 percent of the labor force in November and December after having fallen to 8.0 percent in June from January's high of 9.3 percent.

Total employment remained essentially unchanged after seasonal adjustment from a quarter earlier as did the overall job level in nonfarm industries. Although further job losses were experienced in the area's manufacturing sector, the nonmanufacturing sector gained jobs in the October-December quarter.

In addition, the construction industry remained weak with contract awards down considerably from levels both a quarter and a year earlier.

Some firming up in the area's economy was evidenced as industrial electric power sales rose and the average factory workweek lengthened somewhat. With relatively high average weekly hours worked in the area's factories and with unemployment well below the rest of the state, the Philadelphia metropolitan area appears to be ready for solid economic expansion and is just waiting for the right signals.

Reading Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	144.5	106	108	109
Unemployed, no. of residents	16.1	208	163	166
Civilian labor force, no. of residents	160.6	112	112	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	134.4	101	102	106
Nonmfg. only, no. of jobs	84.8	104	104	107
Mfg. only, no. of jobs	49.5	96	99	104
Hrs. worked by production workers in mfg., *ave. weekly*	38.2	97	96	100
Industrial electric power sales	***	94	95	113

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	10.1	+ 9.8	− 9.0
Nonresidential bldg. contracts only	11.8	+202.6	+20.4

[1]Berks County

Reading

The prospect of an early recovery in the Reading metropolitan area economy was dashed again by its performance in the fourth quarter of 1982. After some mid-year improvement, total employment was back down to its first quarter level, and the area's seasonally adjusted unemployment rate jumped to 11.4 percent in the final month of the year.

The manufacturing job level was down another 1.8 percent from the third quarter level. More than 70 percent of these losses were in the durable goods industries, with the primary metals group losing the greatest number of jobs.

The area's nonmanufacturing sector gained jobs last quarter, but the gain was only as large as normally expected at that time of year. Employment increased in trade, services, and government and decreased in contract construction, and transportation and public utilities.

However, the slowdown in economic activity in the fourth quarter was not as severe as the downturn in the third quarter of the year. Some leveling off was seen in the average length of the factory workweek and in sales of electricity to industrial users, a measure of short-run changes in industrial output. In addition, the value of construction contracts awarded picked up in the fourth quarter from a quarter earlier.

Overall, the Reading economy has held out well during the recession. The percentage decline in the average monthly level of nonfarm industry jobs in 1982 was one of the smallest among the state's metropolitan areas. Only the Harrisburg and State College area had smaller percentage drops in factory jobs than Reading's 4.7 percent drop.

	Lancaster		Lehigh Valley		Northeast PA		Philadelphia	
	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	149.9	-2.7	252.4	-4.6	231.1	-3.3	1889.1	-2.1
Manufacturing	55.7	-6.2	94.5	-9.3	63.4	-7.6	401.2	-6.8
Durable goods	33.0	-7.8	45.9	-15.2	25.7	-8.5	211.6	-8.4
Nondurable goods	22.7	-3.8	48.6	-3.0	37.7	-7.1	189.6	-5.0
Nonmanufacturing	94.1	-0.6	157.8	-1.4	167.5	-1.6	1486.6	-0.5
Ave. wkly. hours worked by production workers								
Manufacturing	38.2	-2.6	37.7	-2.3	36.8	+0.3	38.8	-3.0
Durable goods	39.0	-1.3	40.4	-1.7	41.2	+2.7	39.8	-2.5
Nondurable goods	37.3	-3.6	35.4	-2.2	34.2	-1.2	37.8	-3.1
Industrial electric power sales index (1977 = 100)	94	-5.8	92	-6.3	97	-3.3	95	-4.6
Construction contracts awarded *(mil. dols.)*								
Residential buildings	5.1	-7.3	7.8	-10.3	5.7	+11.8	45.5	-12.5
Nonresidential buildings	3.6	+9.1	9.0	-15.1	4.8	-4.0	60.4	-22.4
Employment of Residents								
Employed, no of persons *(thous.)*	171.8	-1.3	277.2	-3.5	254.6	-2.0	1996.5	-1.2
Unemployed								
No. of persons *(thous.)*	13.9	+36.3	33.7	+29.1	32.3	+10.2	189.0	+14.8
Rate *(percentage of labor force)*	7.5		10.8		11.2		8.6	
Civilian labor force, no. of persons *(thous.)*	185.7	+0.8	310.8	-0.9	286.9	-0.7	2185.5	0

*Average of monthly figures.

York

The anticipated turnaround in the York area economy failed to materialize last quarter; all of our indicators for this area were down in the fourth quarter of 1982 from third quarter levels. However, because normal seasonal increases did not take place, most of the downturn can be attributed to seasonal adjustments of the data.

Among our indicators, only industrial electric power sales did not drop from levels a quarter earlier. This measure, which had fallen in the previous four quarters, was unchanged from the third quarter level. It has not been so low since the end of the 1974-75 recession.

The small gains in employment registered in the second and third quarters of 1982 were lost in the final quarter. Nevertheless, the average number of jobless residents did not increase. But, because this measure usually declines in the October-December quarter, the seasonally adjusted unemployment rate jumped to 12.0 percent.

The job losses were concentrated in the manufacturing sector. Another 3.5 percent of factory jobs were lost last quarter, bringing the total loss since the beginning of the recession to 13.3 percent.

There was a slight gain in the number of wage and salaried jobs in the nonmanufacturing sector. But, the increase was less than the normal seasonal gain expected in the fourth quarter, and therefore the seasonally adjusted index for this measure also declined.

Finally, the average workweek in York's factories remained at the third quarter level in the fourth quarter. But, again, because expected increases in this period did not occur, the seasonally adjusted index fell.

The length of the factory workweek was the second highest among the state's metropolitan areas, behind only Erie's. Because of the high level, any sizeable increase in the production in the area's factories would have to be accompanied by rising employment.

York Area[1]

	Ave. mo. value 4 Q.'82	Averag3 monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	162.6	109	111	112
Unemployed, no. of residents	20.6	235	203	161
Civilian labor force, no. of residents	183.2	117	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	148.9	102	105	110
Nonmfg. only, no. of jobs	89.8	108	109	110
Mfg. only, no. of jobs	57.1	95	100	109
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	96	98	98
Industrial electric power sales	***	88	88	104

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	13.8	-53.4	+40.8
Nonresidential bldg. contracts only	9.7	-27.1	-32.6

[1]Adams and York counties

Northeastern Quarter

Lehigh

The Lehigh Valley area economy finished 1982 with another bad quarter. Total employment fell another 2.4 percent from the quarter earlier while the seasonally adjusted unemployment rate rose to 12.1 percent. The total industry job level has not been so low since the third quarter of 1972.

Both the manufacturing and the nonmanufacturing sectors lost jobs last quarter. The area's manufacturing sector, which is one of the largest in the state accounting for two out of every five jobs in the area, lost another 2,100 positions. This brings the factory job loss to 16 percent of the July 1981

	Pittsburgh		Reading		Sharon		State College	
	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982	1982*	Percentage Change 1981-1982
Local Industries								
No. of wage and salaried jobs *(thous.)*								
All nonfarm industries	879.8	-6.7	135.3	-2.9	43.0	-8.1	42.6	-2.7
Manufacturing	192.2	-18.8	50.7	-4.7	13.2	-18.5	6.8	-1.4
Durable goods	151.4	-22.0	29.2	-5.8	12.2	-19.2	5.3	-1.9
Nondurable goods	40.9	-4.2	21.6	-2.7	1.0	-9.1	1.5	0
Nonmanufacturing	685.0	-2.7	84.5	-1.7	29.8	-2.6	35.8	-2.2
Ave. wkly. hours worked by production workers								
Manufacturing	38.2	-5.4	38.0	-4.3				
Durable goods	38.0	-6.4	38.7	-4.9				
Nondurable goods	38.9	-0.8	37.2	-2.6				
Industrial electric power sales index (1977 = 100)	69	-34.3	100	-11.9	91	-20.8	89	-7.0
Construction contracts awarded *(mil. dols.)*								
Residential buildings	23.5	-1.7	3.0	-11.8	0.9	-50.0	1.7	-5.6
Nonresidential buildings	44.4	-2.2	2.4	-14.3	4.8	+166.7	1.1	+22.2
Employment of Residents								
Employed, no of persons *(thous.)*	906.5	-5.5	143.8	-1.8	47.4	-6.9	43.0	-1.1
Unemployed								
No. of persons *(thous.)*	127.3	+66.6	15.8	+22.5	9.0	+87.5	3.9	+21.9
Rate *(percentage of labor force)*	12.3		9.9		16.0		8.3	
Civilian labor force, no. of persons *(thous.)*	1033.7	-0.2	159.6	+0.2	56.4	+1.3	46.9	+0.6

*Average of monthly figures.

Lehigh Valley Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	274.8	100	103	104
Unemployed, no. of residents	36.8	186	157	140
Civilian labor force, no. of residents	311.6	106	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	247.4	96	98	102
Nonmfg. only, no. of jobs	157.7	105	107	108
Mfg. only, no. of jobs	89.7	83	85	95
Hrs. worked by production workers in mfg., *ave. weekly*	37.2	97	98	101
Industrial electric power sales				
Metropolitan area	***	94	96	105
Allentown	***	96	95	98
Bethlehem	***	87	96	108
Easton	***	118	108	112

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	34.9	+27.8	+77.2
Nonresidential bldg. contracts only	32.3	+64.0	−11.7

[1]Lehigh, Northampton and Carbon counties, Pa.; Warren County, N.J.

level. The primary and fabricated metals industry group lost the largest number of jobs.

At the same time, the nonmanufacturing sector lost 0.5 percent of jobs from the previous quarter, bringing the total job loss in the sector since the beginning of the recession to 1.9 percent. Construction and trade were the big job losers in this sector.

The average length of the factory workweek also fell last quarter to 37.2 hours from 37.6 hours in the quarter earlier. In December, the workweek was still relatively long in the area's durable goods industries at an average 40.8 hours but was considerably shorter in the nondurable goods industries at an average 35.1 hours.

Sales of electricity to industrial users in the area, which reflect short-run changes in industrial production, show that within the area, the city of Bethlehem with its steel mills was the worst hit last quarter. While industrial electric power sales fell significantly in Bethlehem, they rose slightly in Allentown and rose sizably in Easton.

Northeast

The economy of the Northeast metropolitan area stabilized last quarter. Only the normal seasonal declines took place in the industry job level while changes in total employment, the average length of the factory workweek, and industrial electric power sales were small.

Although the area's economy has undergone considerable contraction during the recession, it had the eighth highest percentage decline in total industry jobs and the eighth highest unemployment rate among the state's 14 major metropolitan areas.

The seasonally adjusted unemployment rate for the Northeast area was 11.7 percent in the final quarter of 1982. Luzerne County had a 12.4 percent unemployment rate compared to Lackawanna County's 10.8 percent.

Both the metropolitan area's durable goods and its nondurable goods manufacturing industries have lost a considerable number of jobs during the recession. But, because the average length of the factory workweek is so high in the durable goods industry, employment in these factories is more likely to turn up in response to an increase in demand.

The average monthly job level in the area's durable goods industries fell 8.5 percent in 1982 from the 1981 level. This was the ninth largest decline among the state's major metropolitan areas. While the decline in the nondurable goods industries at 7.1 percent was not as severe, it was the second largest among the metropolitan areas. Only Sharon had a greater percentage drop.

Furthermore, in the fourth quarter of 1982, the average

	Williamsport 1982*	Williamsport Percentage Change 1981-1982	York 1982*	York Percentage Change 1981-1982
Local Industries				
No. of wage and salaried jobs *(thous.)*				
All nonfarm industries	45.0	-3.0	150.3	-3.6
Manufacturing	15.1	-5.6	60.6	-7.6
Durable goods	9.3	-8.8	37.6	-9.0
Nondurable goods	5.8	0	22.4	-5.1
Nonmanufacturing	29.9	-1.6	89.8	-1.2
Ave. wkly. hours worked by production workers				
Manufacturing	39.3	-0.8	40.0	-2.0
Durable goods	39.7	-1.2	40.6	-2.4
Nondurable goods	38.6	+0.3	39.0	-1.5
Industrial electric power sales index (1977 = 100)	92	-6.6	90	-13.8
Construction contracts awarded *(mil. dols.)*				
Residential buildings	0.5	-44.4	5.4	+20.0
Nonresidential buildings	0.5	-44.4	4.3	-15.7
Employment of Residents				
Employed, no of persons *(thous.)*	46.5	-1.7	162.0	-2.2
Unemployed				
No. of persons *(thous.)*	6.6	+1.5	20.1	+42.6
Rate *(percentage of labor force)*	12.5		11.0	
Civilian labor force, no. of persons *(thous.)*	53.1	-1.3	182.1	+1.3

*Average of monthly figures.

Northeast Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents				
Northeast metropolitan area	255.0	103	104	104
Lackawanna County[2] only	90.8	100	100	101
Luzerne County[3] only	136.6	102	103	104
Unemployed, no. of residents				
Northeast metropolitan area	33.6	128	114	117
Lackawanna County[2] only	10.7	116	101	105
Luzerne County[3] only	19.5	130	121	123
Civilian labor force, no. of residents				
Northeast metropolitan area	288.6	106	105	106
Lackawanna County[2] only	101.4	101	100	101
Luzerne County[3] only	156.1	105	105	106
Local industries, Northeast metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	228.5	98	98	102
Nonmfg. only, no. of jobs	167.0	103	103	105
Mfg. only, no. of jobs	61.2	87	86	96
Hrs. worked by production workers in mfg., *ave. weekly*	36.6	101	102	103
Industrial electric power sales				
Northeast metropolitan area	***	94	95	102
Lackawanna County[2] only	***	95	96	101
Luzerne County[3] only	***	90	90	98
Hazleton	***	85	86	91
Wilkes-Barre	***	86	86	91

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	23.0	+44.7	+75.6
Nonresidential bldg. contracts only	8.2	−83.0	−41.8

[1]Lackawanna, Luzerne and Monroe counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton

length of the factory workweek in the Northeast area's durable goods industries at 41.4 hours was the highest among the metropolitan areas while the area's nondurable goods industries had the second shortest workweek at 33.8 hours, shorter only than Johnstown's 33.3 hours.

Williamsport

While the Williamsport area economy entered 1982 having held out well during the first six months of the recession, it ended the year on quite a different note. Factory job levels fell precipitously and unemployment soared.

The level of factory jobs had increased 2.6 percent to 16,200 jobs from July 1981 at the beginning of the recession to January 1982. This level was maintained throughout the first quarter of 1982, but, beginning in April, it began to decline and stood at 13,700 jobs in December. This is a 16.9 percent drop from first quarter's level.

The job losses were concentrated in the durable goods industries. The level of wage and salaried jobs in the nondurable goods industries were virtually unchanged in December of 1982 from levels a year earlier.

The job level in the area's nonmanufacturing sector has also been stable throughout the recession. No major industry group within this sector has experienced a substantial contraction, but neither has there been any significant growth in the sector.

Williamsport Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	46.3	100	101	102
Unemployed, no. of residents	7.3	166	133	137
Civilian labor force, no. of residents	53.6	106	104	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salarieb jobs	44.3	95	96	100
Nonmfg. only, no. of jobs	30.2	106	106	107
Mfg. only, no. of jobs	14.1	78	82	91
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	99	102	102
Industrial electric power sales	***	88	91	98

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	2.0	0	−54.5
Nonresidential bldg. contracts only	0.1	−98.3	−98.9

[1]Lycoming County

Other economic indicators, including sales of electricity to industrial users and the average length of the factory workweek, also showed a considerable slowing of economic activity in the area during the second half of 1982. Industrial electric power sales were at their lowest level last quarter since the second quarter of 1975.

Although the average length of the factory workweek fell significantly in the fourth quarter, it remained at a relatively high level. Thus, employment may pick up soon after a rise in demand for the area's products takes place.

Currently, however, the employment picture is very bad. The seasonally adjusted unemployment rate for the area, which has been in double digits since August 1979, soared to 17.6 percent in December and would have been even higher had the civilian labor force not expanded by 800 persons that month.

Northwestern Quarter

Erie

The year ended on a down note for the Erie metropolitan area. In the final quarter of the year, the area's factory job level experienced its largest quarterly drop since the beginning of the recession, falling 5.6 percent to 36,200 jobs.

Another indicator of industrial activity, industrial electric power sales, also plunged in the fourth quarter after having increased slightly from the second to the third quarters. The seasonally adjusted index for this measure stood at 75 (1977 = 100) in the fourth quarter, down from 84 in the third quarter.

At the same time, nonmanufacturing jobs increased by 700 last quarter from a quarter earlier. However, the 1982 average monthly job level in these industries was down 3.5 percent from the 1981 level. This was the second largest decline in this sector among the state's major metropolitan areas.

In contrast, Erie's 6.1 percent decline in its average monthly factory job level was the 10th largest among the 14 metropolitan areas.

Erie Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	108.7	98	101	102
Unemployed, no. of residents	18.8	214	167	138
Civilian labor force, no. of residents	127.5	107	106	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	103.7	93	95	99
Nonmfg. only, no. of jobs	67.6	99	99	102
Mfg. only, no. of jobs	36.2	84	90	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	97	96	100
Industrial electric power sales	***	75	84	105

Construction contracts awarded *(in millions of dollars)*	Total 4Q.82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	4.5	−74.9	−4.3
Nonresidential bldg. contracts only	5.1	+ 8.5	−63.3

[1]Erie County

Sharon Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	45.5	95	99	105
Unemployed, no. of residents	10.2	255	211	145
Civilian labor force, no. of residents	55.6	107	108	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	40.6	90	94	103
Nonmfg. only, no. of jobs	29.6	102	102	106
Mfg. only, no. of jobs	11.0	68	78	96
Industrial electric power sales	***	93	86	108

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	3.0	− 6.2	−37.5
Nonresidential bldg. contracts only	0.7	−81.6	−93.7

[1]Mercer County

Total employment dropped to 108,700 workers, erasing the gains in the previous quarter. In addition, the seasonally adjusted unemployment soared to 17.0 percent at year's end. Only Johnstown, Sharon, and Williamsport among the state's major metropolitan areas registered higher rates in December.

Sharon

Last year, the Sharon metropolitan area lost a greater percentage of its total industry jobs than any other metropolitan area in the state. Virtually all of these losses came from the durable goods sector, and many occurred from permanent plant closings.

In 1981, over 32 percent of all nonfarm industry jobs in the area were provided by durable goods industries; in December 1982, less than one-quarter of the area's jobs were in these industries. Half of the job cuts were from the primary metals industries while most of the rest were from manufacturers of non-electrical and transportation equipment.

The contraction in the durable goods industries has had a considerable impact on other sectors of the economy. Declines were experienced in most of the area's nonmanufacturing industries over the year, including transportation and public utilities and contract construction.

However, while employment in the manufacturing sector continued to decline through the end of the year, employment in the nonmanufacturing sector leveled off. Among the major industry groups in this sector, only construction continued to experience declines in the number of wage and salaried jobs from November to December. Job levels in most of the other major industry groups remained steady. Wholesale and retail trade employment increased slightly, but most of this increase is attributable to normal seasonal increases over the Christmas holiday.

Average monthly sales of electricity to industrial users, which reflect short-run changes in total industrial output, was more than 20 percent below the 1981 average last year. But, they also appear to have leveled off in the fourth quarter of 1982.

Southwestern Quarter

Altoona

Economic conditions continued to worsen in the Altoona metropolitan area during the final quarter of 1982. There were fewer jobs and more jobless residents as the level of economic activity by one measure fell to less than three-fourths of its 1977 level.

Job levels were down in both the manufacturing and nonmanufacturing sectors last quarter. Only the five major steel centers in the state lost greater percentages of factory jobs on average over 1982 than did the Altoona area, and only Johnstown and Erie lost greater percentages of total nonmanufacturing jobs.

The factory job level at 11,200 jobs in the fouth quarter was at its lowest level since first quarter 1961. At the same time, the nonmanufacturing job level, which has been declining gradually since third quarter 1978, was at its lowest level in a decade.

Unemployment shot up to record levels. In the fourth quarter, the average seasonally adjusted unemployment rate was 14.8 percent, the highest quarterly rate in the twelve years for which comparable data exist. Furthermore, with the length of the average workweek relatively low, any increase in output in the area's manufacturing industries would not immediately lead to rehiring laid-off personnel. Thus, the high levels of unemployment experienced in the area over the past two and a half years will persist for a while longer.

Sales of electricity to industrial users in the area fell more than 26 percent from the third quarter of 1981 to the fourth quarter last year. This measure, which reflects short-run changes in industrial activity, shows production in the area's industries to be way below capacity.

The only good news for the Altoona area came from the value of construction contracts awarded, which were up last quarter for both residential and nonresidential buildings.

Altoona Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	49.3	96	99	99
Unemployed, no. of residents	8.6	216	166	179
Civilian labor force, no. of residents	57.9	104	104	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	46.5	90	94	96
Nonmfg. only, no. of jobs	35.2	92	94	96
Mfg. only, no. of jobs	11.2	85	91	95
Hrs. worked by production workers in mfg., *ave. weekly*	37.5	100	102	102
Industrial electric power sales	***	73	79	98

Construction contracts awarded *(in millions of dollars)*	Total 4Q'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	4.4	+46.7	+ 76.0
Nonresidential bldg. contracts only	9.9	+30.3	+102.0

[1]Blair County

Johnstown Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	84.8	87	91	95
Unemployed, no. of residents	22.0	213	166	140
Civilian labor force, no. of residents	106.7	100	99	99
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	73.3	82	86	92
Nonmfg. only, no. of jobs	60.4	90	93	98
Mfg. only, no. of jobs	12.7	60	68	76
Hrs. worked by production workers in mfg., *ave. weekly*	34.7	89	88	94
Industrial electric power sales	***	72	101	120

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	8.1	−22.9	+9.5
Nonresidential bldg. contracts only	5.1	−65.5	−1.9

[1]Cambria and Somerset counties

Pittsburgh Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	891.1	98	100	105
Unemployed, no. of residents	150.8	250	216	135
Civilian labor force, no. of residents	1,041.9	108	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	852.8	93	94	102
Nonmfg. only, no. of jobs	681.0	102	102	107
Mfg. only, no. of jobs	170.8	69	74	92
Hrs. worked by production workers in mfg., *ave. weekly*	37.8	93	92	98
Industrial electric power sales	***	56	60	99

Construction contracts awarded, *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	55.7	−15.9	−16.7
Nonresidential bldg. contracts only	170.6	+90.8	+53.8

[1]Allegheny, Beaver, Washington and Westmoreland counties

Johnstown

Johnstown's economy plunged further in the final quarter of last year. A staggering 22.7 percent of the area's labor force was unemployed in December. This was the highest rate among the nation's 211 metropolitan areas reporting data for that month.

Among the state's major metropolitan areas, only the Sharon area had lost a larger percentage of total nonfarm industry jobs over the year than did Johnstown. The average job level in the area's manufacturing industries in 1982 was down almost 26 percent from the previous year. At year's end, the factory job level was only 60 percent of the 1977 level.

In addition, many workers still employed were working fewer hours. The average length of the factory workweek was 36.3 hours in the area's durable goods industries and an astounding 33.3 hours in the nondurable goods industries. These low averages allow employers considerable room to increase production by increasing hours worked of employees still on the job before taking the more costly step in hiring back laid-off workers. Thus, unemployment will remain at depression levels in the months ahead.

The extremely low levels of industrial electric power sales reflect the first full quarter during which Bethlehem Steel Corporation's new electric furnace has been out of operation since its installation was completed in September 1981. News of the Corporation's decision to restart the furnace and to continue operations, though at a reduced level, was good news to area residents, who had feared a complete, permanent closing of the steel mill.

Pittsburgh

At year end, the Pittsburgh economy was still reeling from the depression in the steel industry. Among the nation's standard metropolitan statistical areas with more than 1 million persons in the civilian labor force, only Detroit had an unemployment rate higher than the Pittsburgh area. The seasonally adjusted rate in December was 15.5 percent in Pittsburgh compared to 17.7 percent in Detroit.

Among Pennsylvania's metropolitan areas, only Johnstown and Sharon had greater percentage declines in total employment and total nonfarm industry job levels last year than did the Pittsburgh area. The area has had the largest drop in the number of manufacturing industry jobs and one of the largest in the number of nonmanufacturing industry jobs. Most of the factory job losses were from the steel industry. Other industries losing a substantial number of jobs in the fourth quarter were construction and retail trade.

Job gains are not expected in the near future because the length of the average workweek is extremely low. Employers have considerable room to increase production by increasing hours worked before taking the more costly step of hiring back laid-off employees.

However, the workweek did lengthen at year's end in both durable goods and nondurable goods industries. But industrial activity, as measured by sales of electricity to industrial users, continued to slow. December's seasonally adjusted sales were less than half what they were in July 1981 at the start of the current recession.

At the same time, the construction boom in commercial buildings continued undaunted in the fourth quarter, with

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

ADDRESS CORRECTION REQUESTED

018-01-03331
CONGRESSIONAL INFOR SRV-SRI
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

contract awards up more than 90 percent from a quarter earlier. Although the value of awards for nonresidential buildings in 1982 was down 2.2 percent from 1981's level, it remained at a fairly high level historically.

State College

Both total employment and unemployment rose to record levels in the State College area last quarter as the labor force swelled by 3,500 persons.

Total nonfarm industry jobs were back up to second quarter levels in the final quarter of 1982. The large drop in the job level during the July-September quarter came from normal university and university-related employment declines during these months.

However, the area's manufacturing sector continued to cut jobs in the fourth quarter. The job level in these industries was at its lowest point since second quarter 1977. Nevertheless, the percentage drop in the area's average monthly factory job level in 1982 was the smallest among the state's major metropolitan areas.

Industrial electric power sales in the area did not lose any further ground in the fourth quarter of last year while construction contracts for nonresidential buildings rose almost 300 percent from a quarter earlier.

State College Area[1]

	Ave. mo. value 4 Q.'82	Average monthly index seas. adj. (1977 = 100) 4 Q.'82	3 Q.'82	4 Q.'81
Employment *(in thousands)*				
Employed, no. of residents	44.6	112	106	110
Unemployed, no. of residents	4.3	194	169	146
Civilian labor force, no. of residents	48.9	116	110	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage & salaried jobs	43.8	106	99	107
Nonmfg. only, no. of jobs	37.3	107	98	106
Mfg. only, no. of jobs	6.5	101	106	111
Industrial electric power sales	***	84	85	95

Construction contracts awarded *(in millions of dollars)*	Total 4Q.'82	Percentage Change Quarter Ago	Year Ago
Residential contracts only	4.9	− 15.5	− 15.5
Nonresidential bldg. contracts only	5.5	+292.9	+323.1

[1]Centre County

U.Ed. 83-323

The Competitive Position of Pennsylvania — see page 4

Recovery Eludes State

National indicators in January supported the view that a recovery from the recession began in the fourth quarter of last year. However, state indicators showed the recovery continued to elude Pennsylvania. The employment situation continued to worsen, initial claims for unemployment compensation rose, and production declined further in major industries, such as mining and construction.

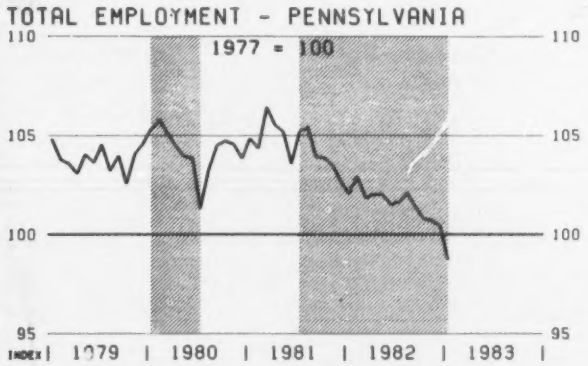
Nevertheless, the news was not all bad. Many of the declines in job levels were smaller than they had been in the previous months, and the steel industry picked up a little momentum.

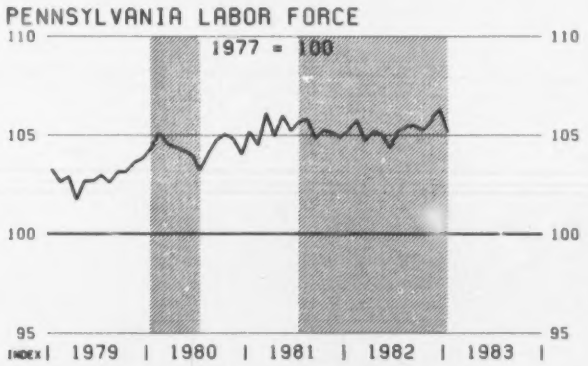
A total of 4,603,000 Pennsylvanians were employed in January. This represents a drop of 220,000 workers, the largest monthly drop since July 1980. The jobless ranks swelled by 113,000 workers and another 107,000 workers left the work force. The seasonally adjusted unemployment rate rose a whole percentage point to 13.6 percent.

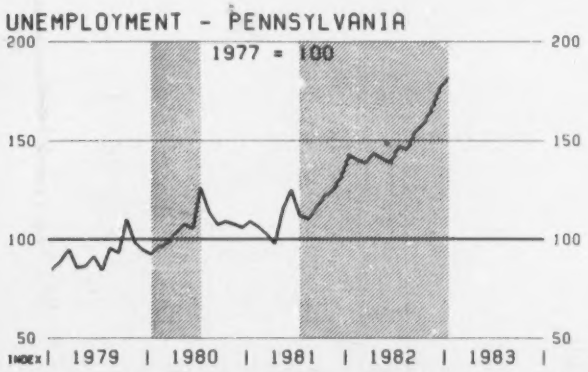
Initial claims for unemployment compensation benefits also rose. The seasonally adjusted index for this measure had fallen in the previous two months. Declines in the national level of initial claims usually precede economic recovery by a few months. Thus, the state's level of first claims in January was disappointing news.

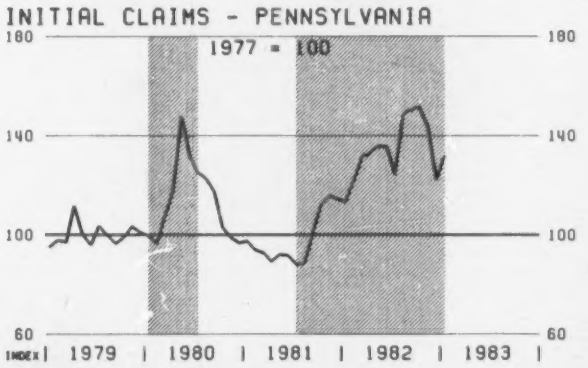
Although the major indicators for the manufacturing sector were still on a downturn in January, the declines were among the smallest since the beginning of the recession. The drop in the seasonally adjusted level of factory jobs was the smallest among the 16 months of declines in the previous 17 months. The level of factory jobs increased slightly in August 1982.

Both the durable goods and nondurable goods industries









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **March 1983**

lost jobs in January, but the decline in the durable goods industries was less than the usual seasonal drop.

One major durable goods industry group—the primary metals group—gained 1,900 jobs in January. In addition, the factory work week for this industry group rose to 38.0 hours in January from 37.6 hours in December. These figures are encouraging because the primary metals industry group has been one of the hardest hit groups in this recession.

All of the job gains in the primary metals group came from the steel industry. Steel production in the state rose to 742,000 tons in January from the record low of 587,000 tons in the previous month. However, January's production level was only half the level of a year ago and a third of the average level in 1977. Pennsylvania's share of total U.S. steel production was roughly unchanged from a month earlier at 13.3 percent.

There was also little change in total weekly payrolls, total weekly hours worked, and average weekly hours worked in all manufacturing industries. All three indicators declined slightly but less than the normal seasonal amounts for the first of the year. As a result, the seasonally adjusted indexes for these measures all rose. Average weekly hours worked remained at levels below the lowest reached at the end of the 1973-75 recession.

The level of jobs in all nonmanufacturing industries also fell in January. However, because of already low levels of employment and less than usual seasonal hirings over the Christmas holidays, the declines in many of the major nonmanufacturing industry groups were less than those usually experienced in the first month of the year. Less than seasonal declines took place in construction, transportation, wholesale and retail trade, services, and state and local government. The number of mining jobs increased slightly while there was a small decline in federal government

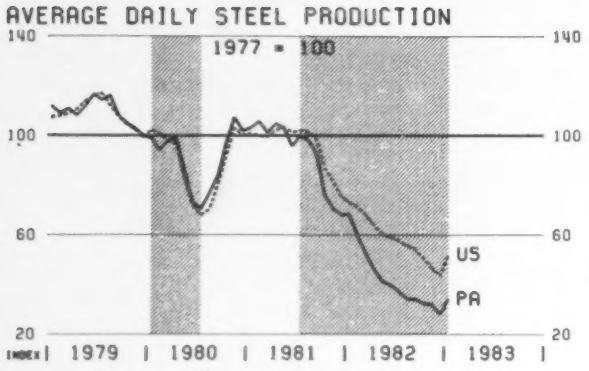
Economic Activity in Pennsylvania	1982-83 Dec.	1982-83 Jan.	1982 Jan.	Seasonally Adjusted Indexes (1977 = 100.) 1982-83 Dec.	1982-83 Jan.	1982 Jan.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,479	4,395	4,581	97.2	97.8	101.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,384	3,310	3,343	104.0	105.0	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,092	1,081	1,232	81.3	81.2	92.5
Ave. wkly. hrs. worked by prod. workers	38.6	38.2	38.1	96.9	97.0	96.9
Total wkly. person-hours worked (mils.)	28.1	27.8	32.9	73.1	73.3	86.7
Total wkly. payroll (mil. dols.)	248.4	245.4	281.6	109.0	110.1	126.4
Steel production (thous. tons)	587	742	1,480	28	34	69
Industrial electric power sales (mil. kwh)	2,999	3,127	3,623	83	83	98
Mining						
Anthracite coal (thous. net tons)	353	323	353	74	73	81
Bituminous coal (thous. net tons)	5,394	4,854	5,912	72	74	91
Construction contracts awarded (mil. dols.)						
Total	306.3	208.3	296.3*	110	101	120*
Residential building	108.8	92.8	39.7*	92	126	53*
Other building	142.4	78.8	160.0*	150	102	197*
Nonbuilding (utilities and public works)	55.1	36.7	96.6*	86	53	137*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,823	4,603	4,777	100.4	98.7	102.0
Unemployed						
No. of persons (thous.)	691	804	641	176.8	181.9	142.7
Rate (percentage of labor force)	12.5	14.9	11.8	—	—	—
Rate, seasonally adjusted	12.6	13.6	10.7	—	—	—
Civilian labor force, no. of persons (thous.)	5,514	5,407	5,418	106.3	105.1	105.2
Initial claims for unemployment benefits	253,225	265,627	225,287	122.1	132.0	113.4

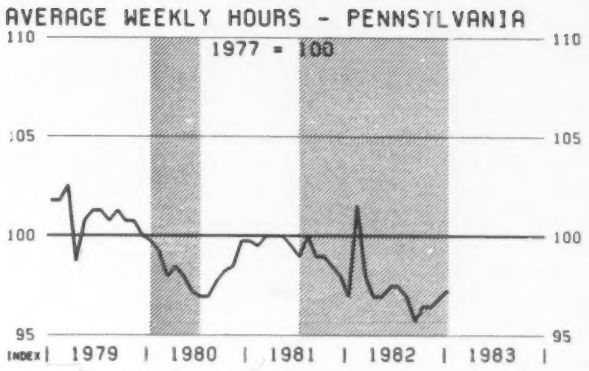
Consumer Prices, all items	Urban Indexes (1967 = 100.) 1982-83 Dec.	1982-83 Jan.	1982 Jan.	Percentage Change Month Ago	Year Ago
U.S. city average	292.4	293.1	282.5	+0.2	+3.8
Philadelphia	281.6	282.1	275.7	+0.2	+2.3
Pittsburgh	302.1	n.a.	273.3†	n.a.	+7.2
Northeast PA	n.a.	278.9	272.5	n.a.	+2.3

Notes: Data on employment have been revised to first quarter 1982 benchmarks.

* = figure revised † = figure for December 1981 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST





positions. Finally, the job levels in public utilities and finance, insurance, and real estate were unchanged from a month earlier.

The construction industry in Pennsylvania failed to pick up in January. The value of total construction contracts awarded in the state declined from December levels as did all of its major components. But while the decline in nonresidential building contracts exceeded the usual seasonal decline, residential and nonbuilding contracts declined less than normal for the time of year.

The amount of both anthracite and bituminous coal mined in January fell after having risen in the previous month. However, the drop in the production of bituminous coal was less than the usual seasonal drop.

Finally, no further declines in industrial electric power sales took place in January. The level of sales actually increased, but the increase was only as much as usually expected at this time of year. Sales remained at their lowest level in over a decade.

The Nation

Although the state's economy continues to flounder, the national economy is clearly on the mend. Recent indicators show that the longest and most pervasive recession since the Depression ended for the nation as a whole in November or December and that in January the nation's economy was expanding at a quicker pace than most analysts had predicted.

The Federal Reserve Board's index of industrial production rose 1.3 percent in January—the biggest gain in nearly a year. Output rose in every category, except business equipment. The biggest gainers were autos, construction supplies, defense and space equipment, and steel and other basic metals.

The increased production was accompanied by a decline in unemployment, an increase in the total number of nonfarm industry jobs, and a 1 percent rise in wages and salaries.

However, the strength the economy showed in January could be misleading. The construction industry, which was registering record rebounds in December and January, was bolstered by better-than-normal weather. Furthermore, much of the increase in production resulted from a one-time switch from the massive inventory liquidation experienced in the fourth quarter of 1982 to inventory stability.

To generate further production increases, sales must increase. But they remained sluggish in January. Retail sales dropped 0.5 percent that month. Much of this sluggishness was due to auto sales, which have not maintained their November upsurge even though cut-rate financing has continued. If auto sales are excluded, retail activity in January was a bit more encouraging, advancing 0.2 percent. But, the lackluster sales coupled with bad weather in many parts of the country in February indicate a somewhat weaker recovery.

Nevertheless, the consumer's financial position continues to improve. Most notably, inflation in continuing to ease on all fronts. The producer price index decline of 1 percent in January was the largest monthly drop in this measure since it was first calculated 36 years ago. In addition, consumer prices rose a scant, seasonally adjusted 0.2 percent, equal to a 2.4 percent annual rate. The small rise was due in a large part to declining energy costs.

The continued easing of inflation, especially the prospect of further decreases in oil and gasoline prices, could change inflation expectations, which have been preventing long-term real interest rates from falling. Low long-term real rates are vital to maintaining the expansion. Consumers can get the recovery started and sustain it for a while, but capital investment is needed to keep the economy moving. Right now, the stubbornly high rates are preventing businesses from investing.

– Norma Gavin Pappas

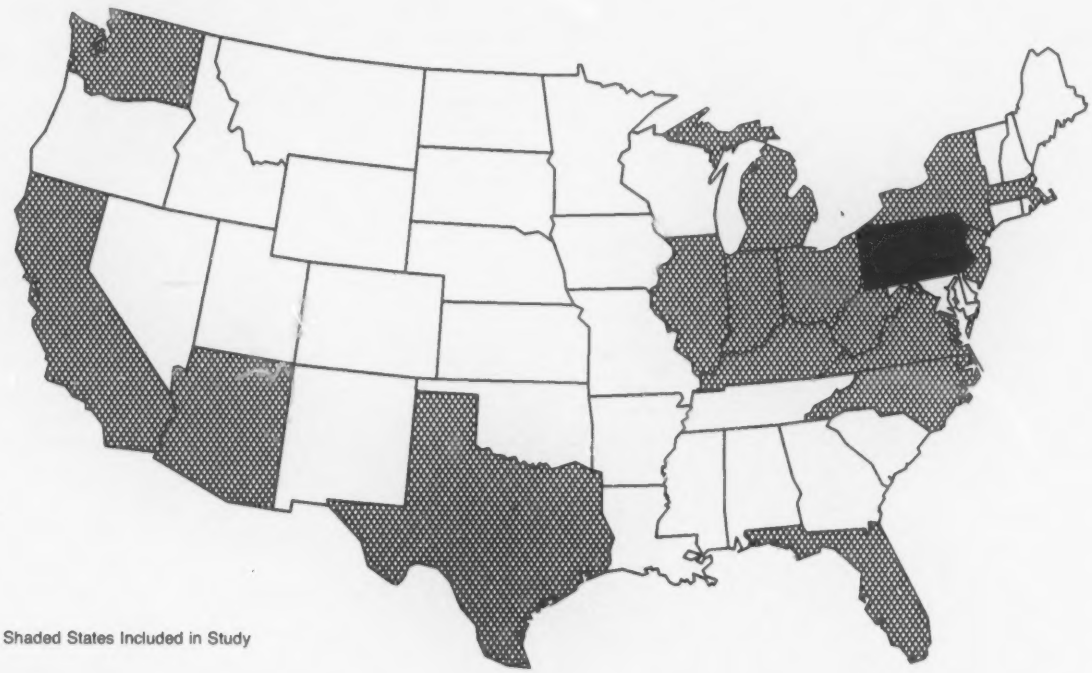
PENNSYLVANIA BUSINESS SURVEY

March 1983 Vol. 24, No. 3

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director — Pa. Economic Analysis Program
Norma Gavin Pappas, Editor
Doris Bickle, Staff Assistant
Amy H. Bohm, Subscription Coordinator
Valeria J. Martin, Office Manager
Richard Reid, Graduate Assistant
Nelson J. Lacey, Graduate Assistant

The Competitive Position of Pennsylvania*



Shaded States Included in Study

In the past few years, there has been increasing competition for new and expanding businesses among states and local areas. This competition has been spawned by sluggish economic activity and by shifts of population and employment opportunities. These shifts have worked to the disadvantage of Pennsylvania and other states in the northeast quadrant of the nation.

In response to these developments, the Center for Research recently completed a study for the Business Council of Pennsylvania to assess the competitive position of Pennsylvania relative to a selected set of other states. In the study, the overall competitive position of Pennsylvania rather than that of any particular industry was examined. Emphasis was placed on those factors which affect the costs of doing business, with particular attention directed to the role of state public policies — both legislative and administrative — in influencing business costs and climate.

To permit a more in-depth analysis than that possible when all states are considered, 16 states were chosen for comparison with Pennsylvania. The states chosen for the study had to meet three principal criteria: (1) they had to be populous states with large economic bases; (2) they had to be either the surrounding states of the northeast quadrant or representative of one of the other regions; and (3) they had to be deemed by Council members as states with which Pennsylvania must increasingly compete for new and expanded domestic and foreign investment during the next two decades.

More than 130 different indicators were used to evaluate the state's competitive position. Like other states in the sample, Pennsylvania's ranking varied significantly from indicator to indicator. The study identified many positive aspects and signs of improvement in the state's competitive position. Furthermore, its position compared very favorably with other northeastern states in the sample.

Nonetheless, there were many indicators where the state's poor performance is cause for considerable concern. In most of these cases, state policies have caused or contributed to the problems, and policy changes could markedly improve Pennsylvania's competitive position.

The results of the study are summarized below under four broad categories: (1) labor, (2) capital, (3) public sector activities, and (4) quality of life.

**This article is a summary of* The Competitive Position of Pennsylvania Businesses, *a report prepared for the Business Council of Pennsylvania by Rodney A. Erickson, Associate Professor of Business Administration and Geography; James H. Miller, Associate Professor of Business Logistics; and Michael J. Wasylenko, Associate Professor of Economics; all of The Pennsylvania State University.*

Labor

Pennsylvania has both a large labor force and a large pool of available labor. During the past two years, the state has consistently had unemployment rates which have been about one percentage point above the national average. This average translates into a pool of unemployed currently numbering more than half a million workers. The skills, costs, and relations with management of the state's labor force were examined.

Labor skills. Despite a reputation for having a highly skilled work force, indicators reveal that Pennsylvania lags behind the national average and many of the sample states in the percentage of the population with various educational levels and in the percentage of the work force in skilled occupation groups. Nevertheless, the study reveals a relatively strong commitment on the part of Pennsylvania's state and local governments to primary, secondary, and vocational education. But state government appropriations per student in its public colleges and universities in fiscal year 1981 were slightly below average nationally and were the eighth highest among the 17 sample states.

Labor costs. Over the years, Pennsylvania has acquired a reputation as a high wage state. However, in terms of direct wage costs, current indicators do not support that view. As demand for labor in the state has fallen relative to supply, wage increases have moderated, particularly in the nonmanufacturing sectors. Pennsylvania's average pay rates are competitive nationally in most major employment categories and are lower than in many other northeastern and western states when adjusted for different mixes of higher and lower paid sectors. However, wage rates in certain manufacturing industries are significantly above the national average.

Furthermore, Pennsylvania's direct labor costs have been increasing at a slower rate than in many other states. Regional and state wage differentials are narrowing. The change in pay per worker from 1979-1981 rose most rapidly in the states of the South and West and increased most slowly in the East North Central region.

But wage rates do not provide a complete picture of labor costs for the firm. Fringe benefits, unemployment compensation (UC) taxes, and workers compensation premiums are among significant indirect labor costs. Unfortunately, considerable variations in benefit programs from firm to firm and state to state make it difficult to compare some of these costs.

Unemployment compensation taxes per dollar of payroll in Pennsylvania are the highest of the states compared. The huge UC fund debt owed to the federal government threatens the system and adds a substantial additional tax burden. Several years of high unemployment levels, a slowly increasing employment base, and beneift levels which are high in comparison to other states have contributed to the problem. State government action is urgently needed to place the fund on a solvent basis over the long run while preventing a further deterioration of the state's competitive position.

Similarly, workers compensation costs have increased sharply in recent years, and reforms are necessary to contain the unwarranted cost increases for Pennsylvania's employers.

Labor relations. Pennsylvania also has a reputation for a high level of union organization, strikes, and poor labor-management relations. With over 34 percent of its nonagricultural workers unionized, compared to 24 percent of the nation's, Pennsylvania ranks 14th among the sample states. This high level of unionization has held steady for the past decade and is due, in part, to the state's industry mix and its high level of public sector unionization.

Pennsylvania led the other sample states in the number of work stoppages in 1980. However, the state's strikes

Indicators of Competitive Position Relating to Labor, Selected States

(1) Percentage of Work Force in Skilled Occupational Groups, 1979			(2) Average Annual Pay Per Worker (Corrected for Industry Mix), 1981			(3) Average Employer Contribution Rate for Unemployment Compensation as a Percentage of Total Wages, 1981*			(4) Number of Work Stoppages, 1980		
Rank	State	Percent	Rank	State	Dollars	Rank	State	Percent	Rank	State	Number
1	Arizona	44.0	1	North Carolina	12,956	1	Texas	0.2	1	North Carolina	22
2	California	42.0	2	Kentucky	14,152	2	Florida	0.5	2	Arizona	23
3	Massachusetts	41.4	3	Florida	14,399	3	Arizona	0.6	3	Florida	54
3	Texas	41.4	4	Virginia	14,505	4	Indiana	0.7	4	Virginia	69
5	New Jersey	41.2	5	West Virginia	14,865	5	Virginia	0.8	5	Texas	70
6	Washington	40.8	6	Indiana	15,256	6	North Carolina	0.9	6	Washington	84
7	New York	40.4	7	Massachusetts	15,344	7	California	1.0	7	Kentucky	110
8	Virginia	40.0	8	**PENNSYLVANIA**	15,501	8	West Virginia	1.1	8	West Virginia	125
9	Illinois	39.7	9	Arizona	15,629	8	Ohio	1.1	9	Massachusetts	135
10	Florida	39.2	10	Texas	15,834	10	New York	1.2	10	Indiana	138
11	Ohio	39.1	11	Ohio	16,046	11	Illinois	1.4	11	New Jersey	236
12	**PENNSYLVANIA**	38.7	12	New Jersey	16,411	11	Kentucky	1.4	12	Illinois	269
13	Michigan	37.0	13	Illinois	17,030	13	Massachusetts	1.5	13	Michigan	287
14	West Virginia	36.5	14	New York	17,182	14	Michigan	1.7	14	New York	342
15	North Carolina	36.2	15	California	17,239	14	New Jersey	1.7	15	California	358
16	Kentucky	35.9	16	Washington	17,493	14	Washington	1.7	16	Ohio	385
17	Indiana	35.5	17	Michigan	17,592	17	**PENNSYLVANIA**	1.8	17	**PENNSYLVANIA**	450
	U.S.	39.5		U.S.	15,691					U.S.	3,885

SOURCE: (1) U.S. Department of Labor, Bureau of Labor Statistics, "Geographical Profile of Employment and Unemployment, 1979," Report 619, December 1980, table 5, p. 30. (2) U.S. Department of Labor, Bureau of Labor Statistics, unpublished data. (3) U.S. Department of Labor, Employment and Training Administration, unpublished data. (4) U.S. Department of Labor, Bureau of Labor Statistics, "Work Stoppages, 1980," Summary 81-9, July 1981, table 11, p. 11.

*Includes additional taxes to repay the debt to the federal government.

involved smaller numbers of workers and were of shorter duration than those of many other states. In addition, a significant number (74) of the 450 work stoppages were attributable to public employee actions, largely in local education.

Capital

Pennsylvania possesses a huge stock of physical capital — both privately-owned plants, stores, and other business buildings, equipment, and fixtures and publicly-owned infrastructure, such as highways and bridges, airports and waterports, water supply systems, and a vast array of public facilities — that undergirds the production and distribution of goods and services. The availability of funds for investment in private sector capital stock and the extent and maintenance of public sector infrastructure in the sample states were compared.

Business capital. There appear to be no significant competitive problems in Pennsylvania's supply of business capital. The state ranked sixth among the 17 sample states in the dollar value of loans per capita by its banking institutions in 1981.

In addition, Pennsylvania has several programs to improve the supply and lower the costs of capital to eligible businesses. The state offers tax incentives and small business assistances which are competitive with those in other states.

Infrastructure. The state is relatively well-served by a large stock of infrastructure. Historically, it has been a leader in infrastructure provision. Among the sample states, Pennsylvania has the second highest percentage of its road system of the federal, primary, and Interstate highway standard.

This infrastructure must be maintained and repaired or rebuilt, which is done only at a considerable cost. The state government has made substantial progress in rebuilding Pennsylvania's aging infrastructure of highways and bridges, but much more work remains.

In general, Pennsylvania compares favorably with the other states in the study in state and local public expenditures to support its infrastructure. For example, in 1980 the state ranked fifth among the sample states in state and local expenditures per mile of highway for all levels of government and all public roads. However, part of the above average expenditures can be explained by the costs of snow removal and repairs for cold weather damage not incurred by the southern states.

Another important part of the state's infrastructure contributing to its competitive position is its substantial energy reserves. Many types of business are concerned with energy cost and availability. Pennsylvania has large and reliable energy production and distribution sytems. Furthermore, average energy costs are competitive nationally and very competitive regionally.

A final important economic resource to be considered is water. Pennsylvania has abundant water supplies. As a result, it had the third lowest average monthly water cost in 1980 of the 17 sample states.

Public Sector Activities

The efficient provision of public services, tax burdens similar or more favorable than those of other states, and reasonable environmental and other regulation can help create a favorable atmosphere for promoting employment growth and attracting new businesses.

General expenditures and taxation. Pennsylvania has a moderate level of state and local expenditures for its size. In fiscal year 1981, state and local government spending per capita ranked seventh lowest among the 17 sample states and was below the national average. Furthermore, the state has kept its expenditure growth rates relatively low.

Indicators of Competitive Position Relating to Capital, Selected States

(1) Commercial and Industrial Loans Per Capita, 1981			(2) Total Expenditure by All Levels of Government Per Mile of Highway, 1980			(3) Average Cost Per KWH for Commercial Service (Total Revenue/ Total KWH Sales), 1980			(4) Average Monthly Water Cost, 1980 (in Dollars)		
Rank	State	Dollars	Rank	State	Dollars	Rank	State	Dollars	Rank	State	Dollars
1	New York	4,164	1	New York	29,354	1	Washington	1.90	1	Massachusetts	205
2	Illinois	2,841	2	New Jersey	22,588	2	Kentucky	2.65	2	Michigan	293
3	Texas	2,527	3	Massachusetts	21,005	3	North Carolina	3.76	3	**PENNSYLVANIA**	376
4	California	1,468	4	West Virginia	17,034	4	West Virginia	4.01	4	Ohio	389
5	Washington	1,382	5	**PENNSYLVANIA**	15,202	5	Indiana	4.09	5	Arizona	409
6	**PENNSYLVANIA**	1,365	6	Virginia	15,019	6	Texas	4.39	6	North Carolina	439
7	Massachusetts	1,213	7	Illinois	13,591	7	Ohio	5.08	7	Texas	468
8	Michigan	909	8	Kentucky	13,587	8	**PENNSYLVANIA**	5.19	8	Florida	509
9	Arizona	888	9	California	13,239	9	Virginia	5.24	8	New York	509
10	North Carolina	804	10	Florida	12,745	10	Arizona	5.40	10	Indiana	583
11	Kentucky	773	11	Ohio	12,306	11	Florida	5.50	11	Washington	584
12	New Jersey	765	12	Washington	10,414	12	Michigan	5.56	12	Kentucky	587
13	Ohio	757	13	Michigan	10,350	13	Illinois	5.60	13	California	599
14	Indiana	726	14	North Carolina	9,070	14	California	6.29	14	Virginia	686
15	Virginia	718	15	Indiana	8,763	15	Massachusetts	6.84	15	New Jersey	689
16	Florida	598	16	Texas	8,274	16	New Jersey	7.08	16	Illinois	718
17	West Virginia	499	17	Arizona	7,156	17	New York	7.80	17	West Virginia	883
	U.S. Median	927		U.S.	9,455		U.S.	5.09			

SOURCE: (1) Federal Deposit and Insurance Corporation, "Commercial Banks — Assets and Liabilities, States and Other Areas," preliminary 1981 data. (2) U.S. Department of Transportation, Federal Highway Administration, "Highway Statistics 1980," table HF-2, p. 41. (3) Edison Electric Institute, "Statistical Yearbook," tables 41 and 59, pp. 46 and 59. (4) American Water Works Association, "1981 Water Utility Operating Data," tables 1 and 2, pp. 3-92.

Indicators of Competitive Position Relating to the Public Sector and the Quality of Life, Selected States

(1) Ratio of Business Taxes to Net Business Income, 1977: All Businesses			(2) Pollution Abatement Expenditures as a Percentage of Value of Shipments, 1978 (Corrected for Industry Mix)			(3) Crime Rate Per Thousand Population, 1980			(4) Number of Physicians Per Thousand Population, 1979		
Rank	State	Ratio	Rank	State	Percent	Rank	State	Rate	Rank	State	Number
1	West Virginia	0.032	1	North Carolina	0.096	1	West Virginia	26	1	New York	2.61
2	Indiana	0.054	2	New Jersey	0.098	2	Kentucky	34	2	Massachusetts	2.58
3	Kentucky	0.055	3	Massachusetts	0.116	3	**PENNSYLVANIA**	37	3	California	2.18
3	Virginia	0.055	4	California	0.126	4	North Carolina	46	4	New Jersey	1.82
5	Texas	0.059	5	New York	0.132	4	Virginia	46	5	**PENNSYLVANIA**	1.81
6	North Carolina	0.061	6	**PENNSYLVANIA**	0.155	6	Indiana	49	6	Illinois	1.78
6	Ohio	0.061	7	Ohio	0.156	7	Illinois	53	7	Florida	1.74
8	Illinois	0.062	8	Illinois	0.172	8	Ohio	54	8	Arizona	1.72
9	Washington	0.064	9	Florida	0.174	9	Massachusetts	61	8	Washington	1.72
10	Florida	0.066	10	Kentucky	0.177	9	Texas	61	10	Virginia	1.61
11	Arizona	0.069	11	Michigan	0.192	11	New Jersey	64	11	Ohio	1.56
12	**PENNSYLVANIA**	0.081	12	Indiana	0.194	12	Michigan	67	12	Michigan	1.53
13	New York	0.101	13	West Virginia	0.226	13	New York	69	13	Texas	1.45
14	California	0.102	14	Virginia	0.252	13	Washington	69	14	North Carolina	1.43
14	New Jersey	0.102	15	Texas	0.261	15	California	78	15	West Virginia	1.29
16	Massachusetts	0.112	16	Washington	0.282	16	Arizona	82	16	Kentucky	1.28
17	Michigan	0.128		Arizona	no data	17	Florida	84	17	Indiana	1.24
	U.S.	0.077					U.S.	59		U.S.	1.76

SOURCE: (1) William C. Wheaton, "Interstate Differences in the Level of Business Taxation," unpublished paper, Massachusetts Institute of Technology, May 1982. (2) U.S. Department of Commerce, Bureau of the Census, "Pollution Abatement Costs and Expenditures, 1978," Current Industrial Reports, May 1980, table 2B,pp. 12-14. (3) Federal Bureau of Investigation, "Crime in the U.S.," annuals for selected states. (4) U.S. Department of Commerce, Bureau of the Census, "Statistical Abstract, 1981," table 166, p. 106.

At the same time, Pennsylvania's state and local government revenues from its own sources were below the national average, ranking eighth lowest among the sample states, but state and local governments received about the same share of their total revenues from intergovernmental aid as did all state and local governments. In addition, the state raised an almost identical share of its total revenue from taxation as did all states on average. However, Pennsylvania raised a lower percentage from property and sales taxes and a higher percentage from income and other taxes. The higher percentage of income taxes results from the state's heavy reliance on corporate income taxes.

Business taxation. Pennsylvania has a reputation for high taxes on business firms, which is fostered by both high tax rates and the types of taxes that are levied on businesses. The state's ratio of business taxes to net business income in 1977 (the latest date for which there is data) ranked 12th among those of the sample states and is higher than the national average.

The state relies heavily on capital stock and franchise taxes for revenues. These corporate licensing taxes bear no relationship to a firm's profits or ability to pay and therefore are considered poor tax instruments. Among the sample states, only Texas raised more revenue from corporate licensing than Pennsylvania, but the state ranked 11th highest in corporate income tax payments per employee in fiscal year 1981.

Inequitable property tax assessments that characterize Pennsylvania's local units of governments also contribute to the state's unfavorable tax reputation. These factors, coupled with rapidly increasing burdens for unemployment and workers compensation, which firms regard as a part of their total tax liability, foster a negative image.

Environmental regulations. In general, Pennsylvania and other northeastern states appear to be competitive in their pollution abatement cost reduction programs and to even have an edge over most of the southern states in the sample. Nevertheless, further steps could be taken to improve the regulatory climate, such as formal master permitting.

Quality of Life

Recent studies have revealed the quality of life as an important factor in recruitment and retention of the work force. In addition, business owners and managers are increasingly sensitive to the kind of natural and cultural environments in which they live and work.

Pennsylvania ranks high in many of the traditional indicators of quality of life. The relative levels of the cost of living and the cost of housing are moderate. The state's crime rate is far below the national average and ranked the state third among the 17 sample states in 1980, behind only West Virginia and Kentucky.

Access to health care is also excellent. Pennsylvania ranked fifth among the sample states in the number of physicians per thousand population in 1979 and fourth in hospital beds per thousand residents.

Finally, recreation opportunities abound in the state, which ranked fourth in park acreage per thousand population in 1980 and is well above the national average in this measure.

Overall, the study demonstrates the need for leadership and action by Pennsylvania public, business, and labor officials to take steps in key areas of concern to make Pennsylvania competitive with other states in attracting and keeping business enterprises.

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

ADDRESS CORRECTION REQUESTED

U.Ed. 83-651

018-01-03332
* CONGRESSIONAL INFOR SRV-SRI
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

Personal Income Increase Less than Heartening

Personal income in Pennsylvania increased 1.1 percent in the third quarter of 1982 compared to a 0.4 percent increase in the quarter earlier. However, this increase was less than heartening as much of it resulted from increased government welfare payments and unemployment insurance benefits.

Wage and salary disbursements declined for the second consecutive quarter. Nevertheless, third quarter's fall of 0.6 percent was less than half the 1.4 percent decline experienced in the second quarter. The second quarter of 1982 was the first quarter since second quarter 1975 that this component had declined.

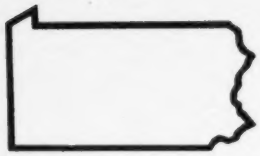
In addition, Pennsylvania's third quarter growth in personal income was one of the slowest in the nation. Forty-four states had higher growth rates. The national average was 1.7 percent, with wage and salary disbursements advancing 0.9 percent from a quarter earlier.

Major Sources of Personal Income, Seasonally Adjusted at Annual Rates—Pennsylvania and the United States

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1982 III (mil of dols)	1982 III -1982 II	1982 III -1981 III	1982 III (mil of dols)	1982 III -1982 II	1982 III -1981 III
Labor and Proprietors Income by Place of Work	88,752	-0.4	-.05	1,832,416	1.0	3.4
By type						
Wage and Salary disbursements	74,684	-0.6	-0.6	1,558,428	0.9	3.7
Other labor income	8,523	-0.2	3.0	155,450	2.0	9.4
Proprietors income	5,544	0.8	-4.6	118,538	0.8	-6.5
Farm	476	-10.7	-44.1	16,663	-4.8	-36.7
Nonfarm	5,069	2.1	2.2	101,875	1.8	1.4
By industry						
Farm	747	-6.5	-32.6	28,780	-2.0	-23.3
Nonfarm	88,004	-0.4	-0.1	1,803,636	1.0	4.0
Private	75,813	-0.6	-1.2	1,497,469	0.9	3.4
Ag. serv., for., fish., and other	212	3.4	8.2	7,781	2.8	5.7
Mining	1,506	-5.1	-6.8	36,096	-4.4	-3.5
Construction	4,025	-1.8	-5.2	96,712	-0.4	-0.3
Manufacturing	27,177	-3.3	-9.3	450,304	-0.3	-1.4
Nondurable goods	9,613	-0.3	0.9	164,259	0.4	2.0
Durable goods	17,564	-4.9	-14.0	286,046	-0.7	-3.3
Transportation and public utilities	6,748	-0.1	-1.5	141,936	0.4	3.4
Wholesale trade	5,434	0.9	1.5	126,227	0.8	3.8
Retail trade	8,046	0.9	2.6	173,689	1.4	3.7
Finance, insurance, and real estate	4,961	3.3	10.3	112,705	3.2	9.4
Services	17,704	2.2	9.3	352,020	2.8	10.1
Government	12,191	0.7	7.4	306,167	1.3	7.0
Federal, civilian	3,161	2.8	5.2	69,404	1.7	4.1
Federal, military	430	3.1	25.0	30,736	0.2	14.7
State and local	8,601	-0.2	7.4	206,027	1.3	6.9
Personal Income by Place of Residence	129,960	1.1	3.8	2,584,937	1.7	5.6
Net labor and proprietor income	82,563	-0.4	-0.4	1,719,986	1.0	3.3
Dividends, interest, and rent	23,746	2.8	12.1	484,020	2.5	10.7
Transfer payments	23,651	4.9	12.3	380,931	4.2	10.5

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

4/20/83 UL4110 - 1 A



State's Economy Fails to Pick Up in February

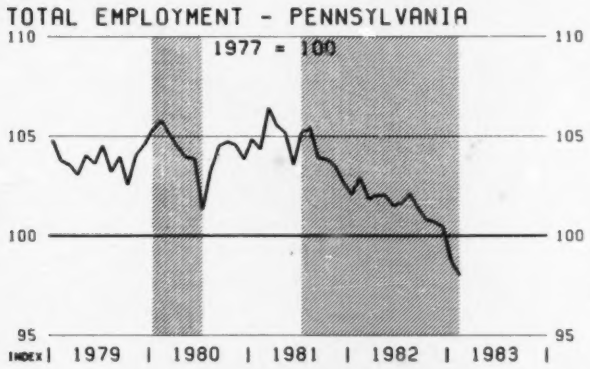
It appears doubtful from February's data that the national recovery, which is believed to have begun in January, had reached many Pennsylvanians. Nevertheless, some sectors of the state's economy showed signs of renewed life.

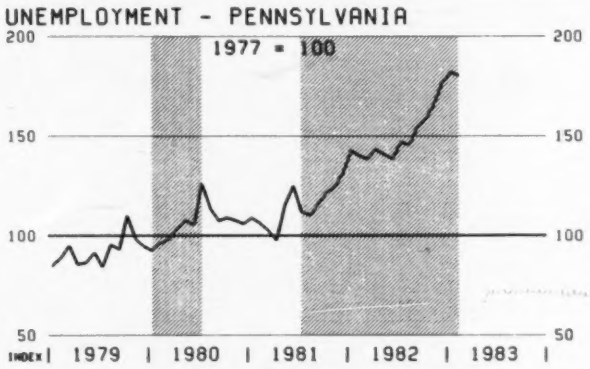
The total number of employed Pennsylvanians increased only slightly in February and not as much as expected for that time of year. After seasonal adjustment, total employment in the state was 4,709,200 — a six-year low and almost 8 percent below the peak of March 1981. Furthermore, although the seasonally adjusted unemployment rate fell 0.4 percent to 13.2 percent that month, it was the second highest monthly rate in the more than 14 years for which there is comparable data. February's rate was exceeded only by January's 13.6 percent.

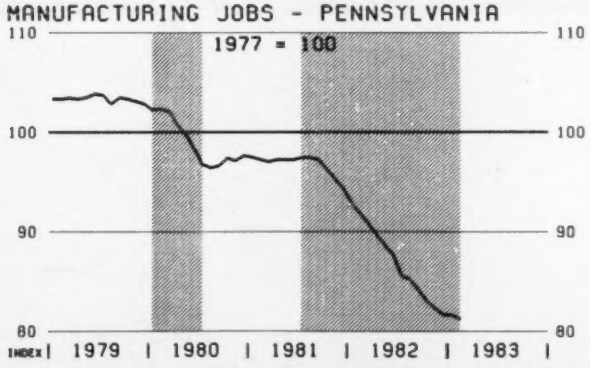
The seasonally adjusted level of jobs in the state's manufacturing industries fell in February, but the drop was small relative to the average monthly drop for all of 1982. At the same time, average weekly hours worked by production workers fell sharply to 36.9 hours from 38.3 hours in January. February's factory workweek was the shortest in the decade for which comparable data exist.

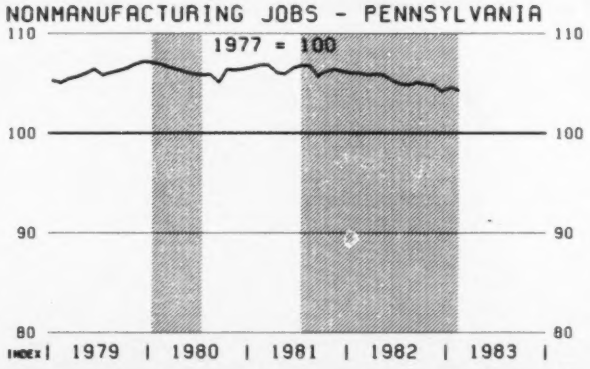
The job losses, together with the shortened workweek, also brought total hours worked and total payrolls down to their lowest levels in the recession.

On the brighter side, January's turnaround in the steel industry continued in February. In most major steel-making industry groups, employment fell while average weekly hours remained essentially unchanged. At the same time,









PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **April 1983**

Economic Activity in Pennsylvania	1983 Jan.	1983 Feb.	1982 Feb.	Seasonally Adjusted Indexes (1977 = 100.) 1983 Jan.	1983 Feb.	1982 Feb.
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,385	4,379	4,573	97.9	97.5	101.9
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,301	3,294	3,349	104.7	104.3	106.0
Manufacturing						
No. of wage and salaried jobs (thous.)	1,081	1,077	1,220	81.7	81.3	91.8
Ave. wkly. hrs. worked by prod. workers	38.3*	36.9	38.9*	97.3*	93.6	98.6*
Total wkly. person-hours worked (mils.)	27.8*	26.6	32.8*	73.5*	70.0	86.4*
Total wkly. payroll (mil. dols.)	246.0*	235.2	280.6*	110.4*	105.7	126.0
Steel production (thous. tons)	742	768	1,242	34	37	60
Industrial electric power sales (mil. kwh)	3,127	3,167	3,703	83	84	99
Mining						
Anthracite coal (thous. net tons)	323	303	381	73	77	97
Bituminous coal (thous. net tons)	4,854	n.a.	6,815	74	n.a.	101
Construction contracts awarded (mil. dols.)						
Total	208.3	185.9	231.0*	101	112	133*
Residential building	92.8	54.6	44.0*	126	82	65*
Other building	78.8	78.0	79.3*	102	147	148*
Nonbuilding (utilities and public works)	36.7	53.3	107.6*	53	118	241*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,603	4,610	4,846	98.7	98.0	102.9
Unemployed						
No. of persons (thous.)	804	759	597	181.9	180.4	140.0
Rate (percentage of labor force)	14.9	14.1	11.0	—	—	—
Rate, seasonally adjusted	13.6	13.2	10.1	—	—	—
Civilian labor force, no. of persons (thous.)	5,407	5,369	5,443	105.1	104.4	105.7
Initial claims for unemployment benefits	265,627	162,636	150,900	132.0	132.7	122.2

Consumer Prices, all items	Urban Indexes (1967 = 100.) 1983 Jan.	1983 Feb.	1982 Feb.	Percentage Change Month Ago	Year Ago
U.S. city average	293.1	293.2	283.4	0	+3.5
Philadelphia	282.1	282.0	275.5	0	+2.4
Pittsburgh	n.a.	304.8	278.6	n.a.	+9.4
Northeast PA	278.9	n.a.	272.5†	n.a.	+2.3

Notes: Data on employment have been revised to first quarter 1982 benchmarks.

* = figure revised † =figure for January 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST

production rose another 7 percent after rising 22 percent in January from December's level. The increased output from a reduced labor force indicates increased productivity, which is normal in the beginning stages of recovery.

Pennsylvania gained another 0.2 percent of national steel production, bringing the state's share to 13.5 percent. However, this is still well below the more than 20 percent share the state produced before the current downturn.

The pick-up in steel production in February was accompanied by a 1 percent increase in industrial electric power sales. But, sales rose only slightly above the eleven-year low reached last October, suggesting that the severely contracted level of output from the state's major industries continued through the second month of this year.

More than seasonal declines took place in the job levels of many of the state's nonmanufacturing industries, including construction, transportation, retail trade, and finance, insurance, and real estate. These declines were partially offset by more than seasonal increases in public utilities, services, and federal government positions.

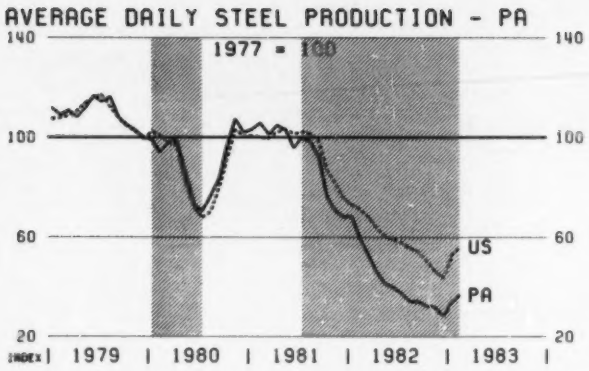
The declines in the manufacturing and nonmanufacturing sectors brought the seasonally adjusted job level in all nonfarm industries in the state down to its lowest level since

PENNSYLVANIA BUSINESS SURVEY

April 1983 Vol. 24, No. 4

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: $5.00 a year.

Eugene J. Kelley, Dean of the College
Paul H. Rigby, Assistant Dean and Director of the Center for Research
Rodney A. Erickson, Director — Pa. Economic Analysis Program
Norma Gavin Pappas, Editor
Doris Bickle, Staff Assistant
Amy H. Bohm, Subscription Coordinator
Valeria J. Martin, Office Manager
Richard Reid, Graduate Assistant
Nelson J. Lacey, Graduate Assistant



November 1975. March may bring further job losses, but the losses should again be smaller than those we saw in 1982.

Initial claims for unemployment compensation, which is a bellwether for future employment losses, fell substantially in February, but the decline was due to fewer work days in the month and to normal seasonal variation. January's level of claims is normally 45 percent higher than the monthly average for the year while February's is usually 14 percent lower than the average. After seasonal adjustment, the level of first claims rose, but only slightly.

The value of construction contracts awarded in Pennsylvania rose more than 10 percent in February from January's level after seasonal adjustment, but the value of total year-to-date awards trailed the value of a year ago's by almost 16 percent. February's increase came from awards for commercial buildings and public works and utilities. The seasonally adjusted value of residential building awards was down 35 percent in February from a month earlier while the value of nonresidential building awards was up 45 percent and nonbuilding awards more than doubled. The monthly figures of this highly volatile series are hard to interpret, but the 1983 figures to date have certainly not shown any signs of a pick-up in the industry.

Employment, average weekly hours, and production in the state's mining industry continued to fall in the first two months of the year. However, the declines were less than the usual seasonal drops. The seasonally adjusted index for the production of anthracite coal rose to 77 (1977 = 100) in February from 73 in January. The February figure for bituminous coal is not yet in; the seasonally adjusted index for this measure had risen to 74 (1977 = 100) in January from 72 in December.

Finally, inflation continued to abate in Philadelphia and Northeast, Pennsylvania. Consumer prices in these cities rose 2.4 and 2.3 percent, respectively, over the year, compared to a 3.5 percent increase on average in the nation's major cities. In Pittsburgh, however, consumer prices continued to rise at a very high rate. Most of the 9.4 percent increase in the index for Pittsburgh is attributable to the 15.2 percent rise in the housing component.

The Nation

After getting off to a healthy start in January, the national recovery lost some momentum in February. The seasonally adjusted unemployment rate for the nation, which fell 0.4 percent in January, was unchanged in February at 10.4 percent; industrial production rose a weak 0.3 percent after rising 1.3 percent in January; and retail sales declined again in Februray for the third consecutive month.

After an increase of 330,000 workers in January, employment shrank by 180,000 workers in February. But what was more unsettling was the 2 percent decline in average weekly hours in all nonfarm industries. The factory workweek dropped back to its December level after gaining 0.9 hours in January.

However, the February declines were more a reflection of unusual winter weather and quirks in seasonal adjustment factors than an indication of worsening economic conditions. About half of all nonfarm industries added to their payrolls in February for the second consecutive month. Factories added 24,000 jobs following a gain of 66,000 jobs in January. Prior to that, factory employment had fallen in every month since July 1981, for a total loss of 2.2 million jobs.

Thus, a mild recovery is still very much in the cards. However, manufacturers are not going to rapidly expand production until they see a substantial and sustained increase in sales. Analysts contend that retail sales could remain weak for another month or two because of extraordinarily high consumer loan rates and the psychological effect of continuing high unemployment.

The estimated overall growth in the U.S. economy in the first quarter at a seasonally adjusted, annual rate of about 4 percent is narrowly based and is largely a result of a slowdown in inventory liquidation. But, most analysts believe that the recovery will gradually broaden by the end of the third quarter.

– Norma Gavin Pappas

Employment by Major Population Groups

Men Continue to Be Hardest Hit

The fourth quarter of last year marked the fifth consecutive quarter during which the unemployment rate for men in Pennsylvania was above the rate for women. This reverses the traditional trend for female rates to exceed those of males.

From the third quarter of 1981 — the first quarter of the recession — to the fourth quarter of 1982, the unemployment rate for men in Pennsylvania rose more than five percentage points to 13.2 percent while the rate for women went up only about two percentage points to 9.9 percent. A similar, although not so dramatic, pattern is found between male and female rates for the nation as a whole. The national unemployment rate for men rose about three and a half percentage points to 10.6 percent while the percentage increase and the resulting fourth quarter rate for women were similar to those in the state.

Much of the greater impact of the economic decline on men can be attributed to their concentration in the more cyclical blue-collar occupations: men accounted for 81

PENNSYLVANIA BUSINESS SURVEY
Center for Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

Nonprofit organization
U.S. postage paid
The Pennsylvania State University

ADDRESS CORRECTION REQUESTED

018-01-02331
CONGRESSIONAL INFOR SRV-SR I
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

U.Ed. 83-683

percent of employment in these occupations nationwide, compared with only 46 percent of white-collar jobs. Unemployment among blue-collar workers increased more than six percentage points to 16.1 percent between the third quarter of 1981 and the fourth quarter of 1982.[1] In contrast, the rise for white-collar workers was only about one and a half percentage points, reaching a high of 5.4 percent in the fourth quarter of 1982.

Similarly, Pennsylvania has a higher concentration of goods-producing industries than the nation on average. These industries provide a greater number of blue-collar jobs than service-producing industries, which explains the state's higher unemployment rate for men and for all workers. In 1981, 32 percent of all wage and salaried jobs in the state's nonfarm industries were in the goods-producing sector compared to 28 percent for the nation as a whole. Overall joblessness in the nation's goods sector increased about four percentage points between 1981 and 1982 to 13.4 percent, compared with a rise of about one percentage point in the service sector to 7.4 percent.

However, although the overall unemployment rate was higher for men than for women in 1982, the reverse is true when the rates are broken down by occupation or by sector. In other words, males in white-collar jobs have a lower unemployment rate than females in white-collar jobs as do males in blue-collar jobs compared to females in blue-collar jobs, and males in the goods-producing sector have a lower unemployment rate than females in the goods-producing sector as do males in the service-producing sector compared to females in this sector. But, because of the greater concentration of women in the service sector (nearly 80 percent of women are employed in services) which, on average, has a much lower jobless rate, the overall rate for females is lower than the overall rate for males.

Teenagers and black workers continued to have the highest unemployment rates in the fourth quarter of last year. An unemployment rate of 24.8 percent was reported for Pennsylvania's teenagers during the fourth quarter while 21.3 percent of the state's black workers were unemployed. These rates were not significantly different from rates reported in the previous quarter or a year ago, nor did they differ substantially from national rates for these groups.

[1]Michael A. Urquhart and Marillyn A. Hewson, "Unemployment Continued to Rise in 1982 as Recession Deepened," *Monthly Labor Review*, vol. 106, no. 2, pp. 3-12.

Employment Data by Sex, Race, and Age — Pennsylvania and the United States

	Number Employed	Percent Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	1982 IV (in thousands)	Over quarter	Over year	1982 IV	1982 III	1981 IV	1982 IV	1982 III	1981 IV
Pennsylvania									
Total, seasonally adjusted	4,853	-1.3	- -	12.2	10.9	9.1	60.3	60.3	60.1
Total, unadjusted	4,889	-1.6	-2.3	11.8	10.6	8.9	60.5	60.7	60.3
Male	2,786	-0.1	-2.5	13.2	11.8	9.9	73.4	73.4	74.1
Female	2,103	-3.4	-2.2	9.9	9.2	7.5	48.7	49.5	48.0
White	4,505	-2.6	-2.8	10.9	9.8	8.1	61.0	61.4	61.1
Black and other	360	12.1	9.8	21.3	20.5	19.1	55.7	53.0	50.9
16-19 years old	285	-24.4	-9.8	24.8	22.9	24.8	48.7	58.4	53.0
United States									
Total, seasonally adjusted	99,135	-0.5	- -	10.7	10.0	8.3	64.1	64.1	63.8
Total, unadjusted	99,351	-1.5	-1.0	10.3	9.7	7.9	64.0	64.7	63.7
Male	55,730	-2.7	-2.1	10.6	9.5	7.8	76.1	77.6	76.3
Female	43,621	0.2	0.4	9.8	9.9	8.1	53.1	53.2	52.5
White	87,663	-1.5	-1.2	9.1	8.5	6.9	64.3	65.0	64.1
Black and other	9,176	-2.0	-2.0	19.9	19.4	16.4	61.2	62.3	61.0
16-19 years old	6,103	-17.5	-8.0	24.1	22.1	20.8	51.6	60.4	52.2

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.